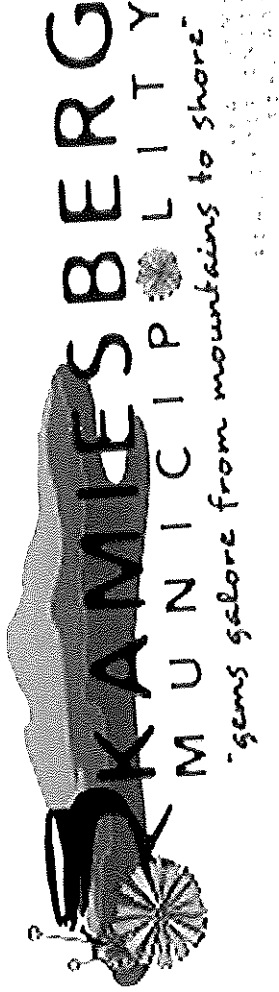


KAMIESBERG

MUNICIPALITY



FINANCIAL STATEMENTS

30 JUNE 2015

KAMIESBERG MUNICIPALITY

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KAMIESBERG MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

GENERAL INFORMATION

NATURE OF BUSINESS

Kamiesberg Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) Grade 2 as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Kamiesberg Municipality includes the following areas of Garies, Hondeklipbaai, Kamassies, Kheis, Kharkams, Kamieskroon, Klipfontein, Leliefontein, Lepelsfontein, Nourivier, Paulshoek, Rooifontein, Soebatsfontein, Spoegrivier and Tweerivier.

MUNICIPAL MANAGER

JG Cloete

CHIEF FINANCIAL OFFICER

R Beukes

REGISTERED OFFICE

Private Bag X200

Garies

8220

AUDITORS

Auditor-General

Private Bag X5013

KIMBERLEY

8300

PRINCIPLE BANKERS

First Nasional Bank

ATTORNEYS

Schreuders

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)

Division of Revenue Act

The Income Tax Act

Value Added Tax Act

Municipal Structures Act (Act no 117 of 1998)

Municipal Systems Act (Act no 32 of 2000)

Municipal Systems Amendment Act (Act no 7 of 2011)

Municipal Planning and Performance Management Regulations

Water Services Act (Act no 108 of 1997)

Housing Act (Act no 107 of 1997)

Municipal Property Rates Act (Act no 6 of 2004)

Electricity Act (Act no 41 of 1987)

Skills Development Levies Act (Act no 9 of 1999)

Employment Equity Act (Act no 55 of 1998)

Unemployment Insurance Act (Act no 30 of 1966)

Basic Conditions of Employment Act (Act no 75 of 1997)

Supply Chain Management Regulations, 2005

Collective Agreements

Infrastructure Grants

SALBC Leave Regulations

Municipal Budget and Reporting Regulations

KAMIESBERG MUNICIPALITY

MEMBERS OF THE KAMIESBERG MUNICIPALITY

WARD

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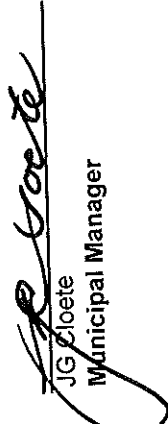
Proportional
Proportional
Proportional

COUNCILLOR

EA Stewens
PJ Willem's
HG Links
MJ Cloete
SC Nero
MR Klaase
MS Cardinal

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 90 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.


JG Cloete
Municipal Manager

31/8/2015
Date

KAMIESBERG

MUNICIPALITY



FINANCIAL STATEMENTS

30 JUNE 2015

KAMIESBERG MUNICIPALITY

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KAMIESBERG MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

GENERAL INFORMATION

NATURE OF BUSINESS

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JURISDICTION

The Kamiesberg Municipality includes the following areas of Garies, Hondekliipbaai, Kamassies, Kneis, Kharkams, Kamieskroon, Kiptfontein, Letlefontein, Lepelstfontein, Nourivier, Paulshoek, Rooifontein, Sebatfontein, Spoegrivier and Tweerivier.

MUNICIPAL MANAGER

JG Cloete

CHIEF FINANCIAL OFFICER

R Beukes

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Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Systems Amendment Act (Act no 7 of 2011)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations
Municipal Budget and Reporting Regulations

KAMIESBERG MUNICIPALITY

MEMBERS OF THE KAMIESBERG MUNICIPALITY

WARD

- 1
 - 2
 - 3
 - 4
- Proportional
Proportional
Proportional

COUNCILLOR

EA Stewens
PJ Willems
HG Links
MJ Cloete
SC Nero
MR Klaase
MS Cardinal

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 90 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.


JG Cloete
Municipal Manager

31/8/2015
Date

KAMIESBERG MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

	Notes	2015 R	2014 R
NET ASSETS AND LIABILITIES			
Net Assets		56 148 027	61 825 047
Accumulated Surplus/(Deficit)		56 148 027	61 825 047
Non-Current Liabilities		18 312 661	10 684 419
Long-term Liabilities	2	344 236	290 285
Non-current Provisions	3	15 328 150	8 056 816
Non-current Employee Benefits	4	2 640 275	2 337 318
Current Liabilities		46 541 070	40 523 708
Consumer Deposits	5	1 369 119	29 774
Current Employee Benefits	6	1 794 542	1 538 173
Payables from exchange transactions	7	33 188 889	29 378 155
Unspent Conditional Government Grants and Receipts	8	9 970 032	8 142 075
Taxes	9.1	75 747	1 272 134
Current Portion of Long-term Liabilities	2	142 742	163 397
Total Net Assets and Liabilities		121 001 758	113 033 174
ASSETS			
Non-Current Assets		112 068 460	106 237 309
Property, Plant and Equipment	11	111 472 494	105 591 507
Investment Property	12	488 159	502 059
Intangible Assets	13	107 807	143 743
Current Assets		8 933 298	6 795 865
Inventory	14	81 995	53 638
Receivables from exchange transactions	15	4 875 760	798 203
Receivables from non-exchange transactions	16	2 396 077	5 181 017
Unpaid Conditional Government Grants and Receipts	8	32 967	-
Operating Lease Asset	17	6	1 471
Cash and Cash Equivalents	18.1	1 546 493	761 536
Total Assets		121 001 758	113 033 174

KAMIESBERG MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 R	2014 R
REVENUE			
Revenue from Non-exchange Transactions		31 743 987	21 553 149
Taxation Revenue		6 293 251	3 164 373
Property Rates	19	6 293 251	3 164 373
Transfer Revenue		25 413 261	18 376 374
Government Grants and Subsidies	20	25 413 261	17 780 206
Public Contributions and Donations	21	-	596 169
Other Revenue		37 475	12 402
Fines		3 498	934
Actuarial Gains	4	33 977	11 468
Revenue from Exchange Transactions		14 130 549	12 107 016
Service Charges	22	9 840 000	7 969 102
Rental of Facilities and Equipment	23	280 624	213 720
Interest Earned - external investments	24	140 637	73 864
Interest Earned - outstanding receivables	25	2 545 667	2 444 735
Licences and Permits		122 434	342 124
Income for Agency Services		392 899	399 806
Other Income	26	808 289	663 665
Total Revenue		45 874 536	33 660 165
EXPENDITURE			
Employee related costs	27	(15 939 592)	(14 794 836)
Remuneration of Councilors	28	(2 292 447)	(1 809 256)
Debt Impairment	29	(8 784 375)	(2 847 077)
Depreciation and Amortisation	30	(9 647 947)	(9 012 615)
Repairs and Maintenance		(588 860)	(936 797)
Actuarial Losses	4	(13 538)	(316 030)
Finance Costs	31	(1 752 919)	(700 289)
Bulk Purchases	32	(5 088 521)	(9 860 681)
Contracted Services		(647 127)	(577 842)
Other Operating Grant Expenditure	33	(1 623 400)	(7 609 310)
General Expenses	34	(5 158 349)	(5 109 606)
Total Expenditure		(51 537 074)	(53 573 339)
Operating Surplus for the Year		(5 662 538)	(19 913 174)
Gains/(Loss) on Sale of Assets	35	(14 482)	(16 180)
(Impairment loss)/Reversal of impairment loss	36	-	-
NET SURPLUS/(DEFICIT) FOR THE YEAR		(5 677 020)	(19 929 353)

KAMIESBERG MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015

	Accumulated Surplus/ (Deficit) R	Total R
Balance at 1 July 2013	83 667 952	83 667 952
Correction of Error - note 37.6	(1 913 552)	(1 913 552)
Restated balance	81 754 400	81 754 400
Net Surplus/(Deficit) for the year	(19 929 353)	(19 929 353)
Net Surplus/(Deficit) previously reported	(20 017 857)	(20 017 857)
Effects of Correction of Errors - note 37.7	88 503	88 503
Restated balance at 30 June 2014	61 825 047	61 825 047
Net Surplus/(Deficit) for the year	(5 677 020)	(5 677 020)
Balance at 30 June 2015	56 148 027	56 148 027

KAMIESBERG MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 R	2014 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts			
Taxation		(4 308 192)	1 910 187
Sale of goods and services		14 338 699	6 276 377
Grants		27 208 251	20 704 363
Investment Income		140 637	73 864
Other receipts		1 519 971	2 217 581
Cash payments			
Employee costs		(17 858 557)	(16 168 991)
Suppliers		(10 534 749)	(9 556 519)
Finance costs		(679 005)	(90 527)
Net Cash from Operating Activities	38	9 827 057	5 366 335
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(9 092 246)	(1 100 744)
Proceeds on Disposal of Assets		16 851	17 955
Net Cash from Investing Activities		(9 075 395)	(1 082 789)
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised		273 960	-
Loans repaid		(240 664)	(161 347)
Net Cash from Financing Activities		33 296	(161 347)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		784 957	4 122 199
Cash and Cash Equivalents at the beginning of the year			
Cash and Cash Equivalents at the end of the year	39	761 536	(3 360 663)
		1 546 493	761 536
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		784 957	4 122 200

KAMIESBERG MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by- law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	2015 R	%
ASSETS								
Current Assets								
Cash	641 690 250	-	641 690 250	-	-	641 690 250	817 920	-99.87%
Call Investment Deposits	-	-	-	-	-	-	728 573	100.00%
Consumer Debtors	-	-	-	-	-	-	7 150 700	100.00%
Other Debtors	4 278 000	-	4 278 000	-	-	4 278 000	121 143	-97.17%
Current Portion of long-term receivables	-	-	-	-	-	-	-	-
Inventory	52 250	-	52 250	-	-	52 250	81 995	56.93%
Total Current Assets	43.2.1	646 020 500	-	646 020 500	-	646 020 500	8 900 331	-98.62%
Non-Current Assets								
Long-term receivables	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Investment Property	-	-	-	-	-	-	488 159	100.00%
Investment in Associates	-	-	-	-	-	-	-	-
Property, Plant and Equipment	104 088 000	-	104 088 000	-	-	104 088 000	111 472 494	7.09%
Agricultural Assets	-	-	-	-	-	-	-	-
Biological Assets	-	-	-	-	-	-	-	-
Intangible Assets	116 250	-	116 250	-	-	116 250	107 807	-7.26%
Other Non-Current Assets	-	-	-	-	-	-	-	-
Total Non-Current Assets	43.2.2	104 204 250	-	104 204 250	-	104 204 250	112 068 460	7.55%
TOTAL ASSETS		750 224 750	-	750 224 750	-	750 224 750	120 968 791	-83.88%
LIABILITIES								
Current Liabilities								
Bank Overdraft	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	142 742	100.00%
Consumer Deposits	30 000	-	30 000	-	-	30 000	1 369 119	4463.73%
Trade and Other Payables	25 852 000	-	25 852 000	-	-	25 852 000	43 201 701	67.11%
Provisions	-	-	-	-	-	-	1 794 642	100.00%
Total Current Liabilities	43.2.3	25 882 000	-	25 882 000	-	25 882 000	46 508 103	79.69%
Non-Current Liabilities								
Borrowing	-	-	-	-	-	-	344 236	100.00%
Provisions	9 340 000	-	9 340 000	-	-	9 340 000	17 968 425	92.38%
Total Non-Current Liabilities	43.2.4	9 340 000	-	9 340 000	-	9 340 000	18 312 661	96.07%
TOTAL LIABILITIES		35 222 000	-	35 222 000	-	35 222 000	64 820 764	84.03%
NET ASSETS								
Accumulated Surplus/(Deficit)	715 002 750	-	715 002 750	-	-	715 002 750	56 148 027	-92.15%
Reserves	-	-	-	-	-	-	-	-
Minorities' Interests	-	-	-	-	-	-	-	-
TOTAL NET ASSETS	43.2.5	715 002 750	-	715 002 750	-	715 002 750	56 148 027	-92.15%

KAMIESBERG MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	2015 R	%
REVENUE								
Property Rates	4 256 507	1 409 505	5 666 012	-	-	5 666 012	6 293 251	11.07%
Property Rates - Penalties & Collection Charges	-	-	-	-	-	-	-	-
Service Charges - Electricity Revenue	4 888 812	319 223	5 208 035	-	-	5 208 035	4 186 966	-19.61%
Service Charges - Water Revenue	3 487 100	18 013	3 505 113	-	-	3 505 113	3 179 638	-9.29%
Service Charges - Sanitation Revenue	1 404 553	4 033	1 408 586	-	-	1 408 586	1 391 621	-1.20%
Service Charges - Refuse Revenue	1 877 106	70 309	1 947 415	-	-	1 947 415	1 081 774	-44.45%
Service Charges - Other Revenue	-	-	-	-	-	-	-	-
Rental of Facilities and Equipment	-	-	-	-	-	-	280 624	100.00%
Interest Earned - External Investments	-	-	-	-	-	-	140 637	100.00%
Interest Earned - Outstanding Debtors	1 181 500	(190 777)	990 723	-	-	990 723	2 545 667	156.95%
Dividends Received	-	-	-	-	-	-	-	-
Fines	-	-	-	-	-	-	3 498	100.00%
Licences and Permits	-	-	-	-	-	-	122 434	100.00%
Agency Services	-	-	-	-	-	-	392 899	100.00%
Transfers Recognised - Operational	18 887 500	-	18 887 500	-	-	18 887 500	16 778 280	-11.17%
Other Revenue	371 000	101 136	472 136	-	-	472 136	842 266	78.39%
Gains on Disposal of PPE	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	43.2.6	36 354 078	1 731 442	38 085 520	-	38 085 520	37 239 555	-2.22%
EXPENDITURE								
Employee Related Costs	15 036 000	(951 279)	14 084 721	-	-	14 084 721	15 953 130	13.27%
Remuneration of Councillors	2 532 000	-	2 532 000	-	-	2 532 000	2 292 447	-9.46%
Debt Impairment	-	-	-	-	-	-	8 784 375	100.00%
Depreciation and Asset Impairment	2 872 000	-	2 872 000	-	-	2 872 000	9 647 947	235.93%
Finance Charges	-	-	-	-	-	-	1 752 919	100.00%
Bulk Purchases	9 186 047	(1 382 691)	7 803 356	-	-	7 803 356	5 088 521	-34.79%
Other Materials	-	-	-	-	-	-	-	-
Contracted Services	-	-	-	-	-	-	647 127	100.00%
Transfers and Grants	-	-	-	-	-	-	-	-
Other Expenditure	7 618 000	2 272 222	9 890 222	-	-	9 890 222	7 370 609	-25.48%
Loss on Disposal of PPE	-	-	-	-	-	-	14 482	100.00%
Total Expenditure	43.2.7	37 244 047	(61 748)	37 182 299	-	37 182 299	51 551 556	38.65%
Surplus/(Deficit)		(889 969)	1 793 190	903 221	-	903 221	(14 312 001)	-1684.55%
Transfers Recognised - Capital	9 129 000	-	9 129 000	-	-	9 129 000	8 634 981	-5.41%
Contributions Recognised - Capital	-	-	-	-	-	-	-	-
Contributed Assets	-	-	-	-	-	-	-	-
Surplus/(Deficit) after Capital Transfers & Contributions		8 239 031	1 793 190	10 032 221	-	10 032 221	(5 677 020)	-156.59%
Taxation	-	-	-	-	-	-	-	-
Surplus/(Deficit) after Taxation		8 239 031	1 793 190	10 032 221	-	10 032 221	(5 677 020)	-156.59%
Attributable to Minorities	-	-	-	-	-	-	-	-
Surplus/(Deficit) Attributable to Municipality		8 239 031	1 793 190	10 032 221	-	10 032 221	(5 677 020)	-156.59%
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		8 239 031	1 793 190	10 032 221	-	10 032 221	(5 677 020)	-156.59%

KAMIESBERG MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	Notes	Original Budget	Budget Adjustments (l.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (l.t.o. s31 of the MFMA)	Virement (l.t.o. Council approved by- law)	Final Budget	Actual Outcome 2015	Actual Outcome as % of Final Budget
		R	R	R	R	R	R	R	%
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and other		23 810 000	-	23 810 000			23 810 000	11 550 479	-51.49%
Government - Operating		16 540 000	-	16 540 000			16 540 000	27 208 251	64.50%
Government - Capital		11 685 000	-	11 685 000			11 685 000		-100.00%
Interest		88 000	-	88 000			88 000	140 637	59.81%
Dividends			-				-		
Payments									
Suppliers and Employees		(34 034 000)	-	(34 034 000)			(34 034 000)	(28 393 306)	-16.57%
Finance Charges		(130 000)	-	(130 000)			(130 000)	(679 005)	422.31%
Transfers and Grants		-	-	-			-		
Net Cash from/(used) Operating Activities	43.2.8	17 959 000	-	17 959 000	-	-	17 959 000	9 827 057	-45.28%
CASH FLOW FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE		119 000	-	119 000			119 000	16 851	-85.84%
Decrease/(Increase) in Non-Current Debtors		-	-	-			-	-	
Decrease/(Increase) in Other Non-Current Receivables		-	-	-			-	-	
Decrease/(Increase) in Non-Current Investments		-	-	-			-	-	
Payments									
Capital Assets		(18 486 000)	-	(18 486 000)			(18 486 000)	(9 092 246)	-50.82%
Net Cash from/(used) Investing Activities	43.2.9	(18 367 000)	-	(18 367 000)	-	-	(18 367 000)	(9 075 395)	-50.59%
CASH FLOW FROM FINANCING ACTIVITIES									
Receipts									
Short Term Loans			-				-		
Borrowing long term/refinancing		33 000	-	33 000			33 000	273 960	730.18%
Increase/(Decrease) in Consumer Deposits			-				-		
Payments									
Repayment of Borrowing			-				-	(240 664)	100.00%
Net Cash from/(used) Financing Activities	43.2.10	33 000	-	33 000	-	-	33 000	33 296	0.90%
NET INCREASE/(DECREASE) IN CASH HELD									
Cash and Cash Equivalents at the year begin:		(375 000)	-	(375 000)	-	-	(375 000)	784 957	-309.32%
		2 951 000	-	2 951 000			2 951 000	761 536	-74.19%
Cash and Cash Equivalents at the year end:		2 576 000	-	2 576 000	-	-	2 576 000	1 546 493	-39.97%

KAMIESBERG MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

KAMIESBERG MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2014 to 30 June 2015. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for material differences between the final budget amounts and actual amounts are included the Notes to the Financial Statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015
1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS
ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 18 (Original – Feb 2011)	<u>Segment Reporting</u> The objective of this Standard is to establish principles for reporting financial information by segments.	1 April 2015
GRAP 20 (Original – Jun 2011)	<u>Related Party Disclosure</u> The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.	Unknown
GRAP 32 (Original – Aug 2013)	<u>Service Concession Arrangements: Grantor</u> The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public entity.	Unknown
GRAP 105 (Original – Nov 2010)	No significant impact expected as any such transactions or events are expected in the foreseeable future. <u>Transfer of Functions Between Entities Under Common Control</u> The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.	1 April 2015
GRAP 106 (Original – Nov 2010)	No significant impact expected as no such transactions or events are expected in the foreseeable future. <u>Transfer of Functions Between Entities Not Under Common Control</u> The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. No significant impact expected as no such transactions or events are expected in the foreseeable future.	1 April 2015

KAMIESBERG MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

GRAP 107 (Original – Nov 2010)	<u>Mergers</u> The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger. No significant impact expected as no such transactions or events are expected in the foreseeable future.	1 April 2015
GRAP 108 (Original – Sept 2013)	<u>Statutory Receivables</u> The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.	Unknown
GRAP 109	<u>Accounting by Principles and Agents</u> The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	Unknown
IGRAP 11	<u>Consolidation - Special Purpose Entities (SPE)</u> The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE. No significant impact is expected as the Municipality does not have any SPE's at this stage.	1 April 2015
IGRAP 12	<u>Jointly Controlled Entities non-monetary contributions</u> The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venture to a Jointly Controlled Entity (JCE). No significant impact is expected as the Municipality does not have any JCE's at this stage.	1 April 2015
IGRAP 17	<u>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</u> The Interpretation of the Standards is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. No such transactions or events are expected in the foreseeable future.	Unknown
Directive 11	<u>Changes in Measurement Bases following Initial Adoption of Standards of GRAP</u> This Directive can be applied when a Municipality elects to change the measurement bases selected for certain assets on the initial adoption of Standards of GRAP. No significant impact is expected as the Municipality has no intention of changing its measurement bases.	1 April 2015

KAMIESBERG MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.9. RESERVES

1.9.1. Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, funds are transferred from the accumulated surplus / (deficit) to the CRR. The cash funds in the CRR can only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

1.10. LEASES

1.10.1. Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

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1.10.2. Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leases asset is diminished.

1.11. BORROWING COST

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

1.12. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015
1.13. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.14. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.15. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.

- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

1.16. EMPLOYEE BENEFITS

(a) *Post-Retirement Medical Obligations*

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution.

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The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(d) Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

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(e) Other Short-term Employee Benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.17. PROPERTY, PLANT AND EQUIPMENT

1.17.1. Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measure at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.17.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.17.3. Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives:

	<u>Years</u>	<u>Other</u>	<u>Years</u>
<u>Infrastructure</u>		<u>Buildings</u>	
Roads, pavements and bridges	10-30		30
Storm Water	20	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sanitation	15-20	Furniture and fittings	5-10
Waste Management	30	Watercraft	15
		Bins and containers	5
<u>Community</u>		Specialised plant and equipment	10-15
Sports fields and Stadia	30		
Housing	20-30	Other plant and equipment	
Security Halls	5 20-30	Equipment Emergency equipment	2-5 20

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Libraries	20-30	Computer	25
Parks and gardens	20-30	equipment	
Other assets	15-20		

<u>Finance lease assets</u>	
Office equipment	3
Other assets	5

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.17.4. De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17.5. Land and Buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

1.18. INTANGIBLE ASSETS

1.18.1. Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

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- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.18.2. Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.18.3. Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The

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estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	5
Computer Software Licenses	5

1.18.4. De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18.5. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

1.19. INVESTMENT PROPERTY

1.19.1. Initial Recognition

Investment property shall be recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

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Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.19.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.19.3. Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	30

1.19.4. De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.19.5. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008.

1.20. CONSTRUCTION CONTRACTS

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by either the proportion that contract costs incurred for work performed to date bear to the estimated total

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contract costs or surveys of work done or completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

1.21. AGRICULTURE

1.21.1. Initial Recognition

A biological asset or agricultural produce is recognised when and only when:

- the Municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality;
- and the fair value or cost of the asset can be measured reliably.

Biological assets are initially measured at their fair value less cost to sell.

1.21.2. Subsequent Measurement

Biological assets are measured at their fair value less cost to sell.

The fair value of game is determined based on market prices of livestock of similar age, breed, and genetic merit in the local industry. Game is considered to be bearer biological assets.

A gain or loss arising on initial recognition of biological assets at fair value less cost to sell is included in profit or loss for the period in which it arises.

1.22. HERITAGE ASSETS

1.22.1. Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

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A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.22.2. Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.22.3. Depreciation and Impairment

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.22.4. De-recognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

1.22.5. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2011.

1.23. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.23.1. Cash generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

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In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

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Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.23.2. Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the

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- operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;
- A decision to halt the construction of the asset before it is complete or in a usable condition;
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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An impairment loss is recognised immediately in surplus or deficit.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.24. NON CURRENT INVESTMENTS

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.25. INVENTORIES

1.25.1. Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

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Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.25.2. Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in-first-out method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

1.26. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions). The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.26.1. Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

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1.26.2. Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.26.2.1. Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.26.2.2. Payables and Annuity Loans

Financial liabilities consist of trade and other payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially

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recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.26.2.3. Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.26.3. De-recognition

1.26.3.1. Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset; or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of

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the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.26.3.2. Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.26.4. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.27. STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.27.1. Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

1.27.2. Subsequent Measurement

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication

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that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.27.3. Derecognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:

- i. derecognise the receivable; and
- ii. recognise separately any rights and obligations created or retained in the transfer.

1.28. REVENUE

1.28.1. Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an

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asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of IGRAP 1, as there is no intention of collecting this revenue.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because

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the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.28.2. Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

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Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

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The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.29. TRANSFER OF FUNCTIONS (Municipality as acquirer)

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a Municipality's objectives, either by providing economic benefits or service potential.

A transfer of functions is the reorganisation and/or the re-allocation of functions between Municipalities by transferring functions between Municipalities or into another entity.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method. Applying the acquisition method requires:

- (a) identifying the acquirer (Municipality);
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

As of the acquisition date, the Municipality recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed meets the definitions of assets and liabilities in the *Framework for the Preparation and Presentation of Financial Statements* and the recognition criteria in

KAMIESBERG MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

the applicable Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Municipality and the acquiree (or its former owners) agreed in the binding arrangement.

The Municipality measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

The Municipality subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.

1.30. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
 - has control or joint control over the Municipality.
 - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
 - the entity is controlled or jointly controlled by a person identified in (a).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee;
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.31. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.32. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.33. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.34. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measures with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015
1.35. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post-retirement medical obligations and Long service awards

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

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For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- Cost of items with a similar nature currently in the Municipality's asset register;
- Cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- Cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end, which is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 7 days' worth of unused electricity.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

KAMIESBERG MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Revenue Recognition

Accounting Policy 1.28.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.28.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed.

1.36. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.37. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.38. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2. LONG TERM LIABILITIES

2015 2014
R R

Capitalised Lease Liability - At amortised cost

	486 978	453 682
<u>Less:</u> Current Portion transferred to Current Liabilities	486 978	453 682
Capitalised Lease Liability - At amortised cost	(142 742)	(163 397)
Total Long-term Liabilities - At amortised cost using the effective interest rate method	(142 742)	(163 397)
	344 236	290 285

2.1 The obligations under finance leases are scheduled below:

Minimum payments

Amounts payable under finance leases:		
Payable within one year	204 360	225 555
Payable within two to five years	407 995	344 985
Payable after five years	-	-

Less: Future finance obligations
Present value of finance lease obligations

	612 355	570 540
	(125 377)	(116 857)
	486 978	453 683

The capitalised lease liability consist out of the following contracts:

Supplier	Description of leased item	Effective interest rate	Annual Escalation	Lease Term	Maturity Date
Nashua Mobile	Laptops & Modems	10%	0%	2 Years	31/01/2015
Nashua	Fax machines and Copiers	14%	0%	5 Years	28/02/2018

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

Hire Purchases and Leases are secured by property, plant and equipment - Note 11

3. NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites

Total Non-current Provisions

15 328 150	8 056 816
15 328 150	8 056 816

3.1 Landfill Sites

Balance 1 July
Contribution for the year
Change in Provision for Rehabilitation Cost

Total provision 30 June

Less: Transfer of Current Portion to Current Provisions

Balance 30 June

8 056 816	9 278 566
867 631	456 046
6 403 702	(1 677 796)
15 328 150	8 056 816
-	-
15 328 150	8 056 816

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows

	Hondeklip Bay	Klipfontein	Soebatsfontein	Garies
Area (m²)	6 175	2 392	2 952	12 878
Rehabilitation volume (m³)	1 235	358	590	6 439
Fence (m)	420	-	350	-
Cost of fence (Rand)	243 600	-	203 000	-
Site Clearance (R60/m³)	74 100	20 406	33 630	367 023
Excavation cost (R40/m³)	133 929	159 620	250 100	2 917 550
Filling (R57/m³)	351 975	136 344	168 264	734 046
Environmental impact assessment (Rand)	180 000	-	-	180 000
Application for permits (Rand)	35 000	-	-	35 000
Preliminary and general (Rand)	120 541	47 456	98 249	602 793
Fees and expenses (Rand)	92 414	36 383	75 324	462 141

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	Tweervier	Kharikams	Spoegrivier	Nourivier
Area (m ²)	4 266	3 662	2 490	4 650
Rehabilitation volume (m ³)	341	732	199	139
Fence (m)	-	-	200	-
Cost of fence (Rand)	-	-	116 000	-
Site Clearance (R60/m ²)	19 437	41 747	11 343	7 923
Excavation cost (R40/m ²)	152 990	294 650	110 545	60 658
Filling (R20/m ²)	243 276	208 734	141 930	285 050
Preliminary and general (Rand)	62 355	81 770	56 973	50 045
Fees and expenses (Rand)	47 806	62 690	43 679	38 368
		Rooifontein/ Kamassies	Paulshoek	Kamieskroon
Area (m ²)	5 250	6 440	4 900	14 500
Rehabilitation volume (m ³)	577	322	392	2 900
Fence (m)	-	-	-	460
Cost of fence (Rand)	-	-	-	266 800
Site Clearance (R60/m ²)	32 889	18 354	22 344	165 300
Excavation cost (R40/m ²)	154 153	143 165	169 940	1 564 250
Filling (R20/m ²)	299 250	367 080	279 300	826 500
Preliminary and general (Rand)	72 944	79 280	70 738	423 428
Fees and expenses (Rand)	55 924	60 789	54 232	324 928

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

Location	Estimated decommission date	2015		2014	
		R	R	R	R
Hondeklip Bay	2035	3 949 776	3 434 542		
Klipfontein	2035	1 283 521	960 056		
Soebatsfontein	2035	2 657 328	3 075 278		
Garies	2019	6 689 301	2 254 699		
Tweenvier	2035	1 686 518	160 849		
Kharkams	2035	2 211 610	2 124 259		
Spoeignivier	2035	1 540 982	1 318 245		
Nourivier	2035	1 353 548	270 684		
Leilfontein	2035	1 972 897	623 548		
Rooftfontein/Kamassies	2035	2 144 540	453 142		
Paulshoek	2035	1 913 229	442 701		
Kamieskroon	2035	11 452 377	7 248 270		

4. NON-CURRENT EMPLOYEE BENEFITS

Provision for Post Retirement Health Care Benefits Provision for Long Service Awards

Total Non-current Employee Benefits

Post Retirement Health Care Benefits

Balance 1 July

Contribution for the year
Expenditure for the year

Actuarial Loss/(Gain)

Total provision 30 June

Less: Transfer of Current Portion to Current Provisions - Note 6

Balance 30 June

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Long Service Awards

Balance 1 July
Contribution for the year
Expenditure for the year
Actuarial Loss/(Gain)

Total provision 30 June

Less: Transfer of Current Portion to Current Provisions - Note 6

Balance 30 June

2015
R

2014
R

774 802	694 115
132 491	120 121
(63 315)	(27 966)
13 538	(11 468)
<u>857 516</u>	<u>774 802</u>
(120 084)	(99 114)
<u>737 432</u>	<u>675 688</u>

4.1

Provision for Post Retirement Health Care Benefits

The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members
In-service (employee) non-members
Continuation members (e.g. Retirees, widows, orphans)

Total Members

The liability in respect of past service has been estimated to be as follows:

In-service members
In-service non-members
Continuation members

Total Liability

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2013 R	2012 R	2011 R
In-service members	513 533	393 335	-
In-service non-members	394 603	300 382	-
Continuation members	289 763	282 340	-
Total Liability	<u>1 197 899</u>	<u>976 057</u>	<u>-</u>

The municipality performed their first actuarial valuation on 30 June 2012. Thus there are no liability figures available on or before 30 June 2012 to fully comply with GRAP 25.

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

LA Health

The Current-service Cost for the ensuing year is estimated to be R187 313, whereas the Interest Cost for the next year is estimated to be R174 930.

Key actuarial assumptions used:

i) **Rate of interest**

Discount rate
Health Care Cost Inflation Rate
Net Effective Discount Rate

ii) **Mortality rates**

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) **Normal retirement age**

The normal retirement age for employees of the municipality is 63 years for males and 58 years for females.

2015
%

2014
%

9.10
8.26
0.73

8.90
8.10
0.73

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015	2014
R	R

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	1 939 467	1 696 166
Fair value of plan assets	-	-
	1 939 467	1 696 166
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present Value of unfunded obligations	-	-
	1 939 467	1 696 166

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	1 696 166	1 197 899
Total expenses	277 278	182 237
	1 973 444	
Current service cost	165 472	104 547
Interest Cost	149 419	107 674
Benefits Paid	(37 613)	(29 984)
	(33 977)	316 030
Actuarial (gains)/losses	1 939 467	1 696 166
Present value of fund obligation at the end of the year	1 939 467	1 696 166

Reconciliation of fair value of plan assets:

Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets	-	-
Contributions: Employer	-	-
Contributions: Employee	-	-
Past Service Costs	-	-
Actuarial (gains)/losses	-	-
Benefits Paid	-	-
Fair value of plan assets at the end of the year	-	-

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	1 632	0 308	1 939	

The effect of movements in the assumptions are as follows:

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1% 1,963	0.327 0,290	2,290	18.00%
Health care inflation	-1% 1,366	0.290 0,324	1,657	-15.00%
Post-retirement mortality	-1 year 1,698	0.324 0,308	2,022	4.00%
Average retirement age	-1 year 1,819	0.308 0,308	2,126	10.00%
Withdrawal Rate	-10% 1,089	0.308 0,308	1,397	-28.00%

Assumption	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
Health care inflation	1% 195 800	173 300	369 100	17.00%
Health care inflation	-1% 140 800	129 800	270 600	-14.00%
Post-retirement mortality	-1 year 172 600	156 200	328 800	4.00%
Average retirement age	-1 year 163 000	156 100	319 100	1.00%
Withdrawal Rate	-10% 106 700	109 800	216 500	-31.00%

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Experience adjustments were calculated as follows:

	2015	2014
	R	R
Liabilities: (Gain) / loss		
Assets: Gain / (loss)	(33 977.00)	316 030

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2013	2012	2011
	R	R	R
Liabilities: (Gain) / loss			
Assets: Gain / (loss)	(33 977)	41 262	-

The municipality performed their first actuarial valuation on 30 June 2012. Thus there are no experience adjustment figures available on or before 30 June 2012 to fully comply with GRAP 25.

4.2 Provision for Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 84 employees were eligible for Long Service Bonuses.

The Current-service Cost for the ensuing year is estimated to be R75 627 whereas the Interest Cost for the next year is estimated to be R56 864.

Key actuarial assumptions used:

i) Rate of interest	2015	2014
	%	%
Discount rate	7.98	7.83
General Salary Inflation (long-term)	7.05	7.02
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.87	0.75

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	857 516	774 802
Fair value of plan assets	-	-
Unrecognised past service cost	857 516	774 802
Unrecognised actuarial gains/(losses)	-	-
Present value of unfunded obligations	-	-
Net liability/(asset)	857 516	774 802

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	774 802	694 115
Total expenses	69 176	92 155
Current service cost	75 627	74 079
Interest Cost	56 864	46 042
Benefits Paid	(63 315)	(27 966)
Actuarial (gains)/losses	13 538	(11 468)
Present value of fund obligation at the end of the year	857 516	774 802

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	R	R
Reconciliation of fair value of plan assets:		
Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets	-	-
Contribution: Employer	-	-
Contribution: Employee	-	-
Past service costs	-	-
Actuarial (gains)/losses	-	-
Benefits paid	-	-
Fair value of plan assets at the end of the year	-	-

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions			
General salary inflation	1%	0.912	6.00%
General salary inflation	-1%	0.808	-6.00%
Average retirement age	-2 yrs	0.786	-8.00%
Average retirement age	2 yrs	0.949	11.00%
Withdrawal rates	-50%	1.045	22.00%

Experience adjustments were calculated as follows:

Liabilities: (Gain) / loss	13 538	(11 468)
Assets: Gain / (loss)		

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2013	2012	2011
	R	R	R
Liabilities: (Gain) / loss			
Assets: Gain / (loss)	(2 687)	14 258	-

The municipality performed their first actuarial valuation on 30 June 2012. Thus there are no experience adjustment figures available on or before 30 June 2012 to fully comply with GRAP 25.

4.3

Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

CAPE JOINT RETIREMENT FUND

The contribution rate paid by the members (9.0%) and Council (18.0%). The last actuarial valuation performed for the year ended 30 June 2013 revealed that the fund is in a sound financial position with a funding level of 99.9% (30 June 2013 - 105,1%).

Contributions paid recognised in the Statement of Financial Performance

859 448	713 108
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KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015	2014
R	R

DEFINED CONTRIBUTION FUNDS

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

National Fund Municipal Workers
SAMWU National Provident Fund

78 894	73 224
692 107	652 828
771 001	726 053

5. CONSUMER DEPOSITS

Water and Electricity
Correction of Error - Note 37.1

Total Consumer Deposits

1 369 119	29 670
-	104
1 369 119	29 774

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding amount.

6. CURRENT EMPLOYEE BENEFITS

Staff Bonuses

Staff Leave

Current Portion of Non-Current Provisions

Current Portion of Post Retirement Benefits - Note 4
Current Portion of Long-Service Provisions - Note 4

Total Provisions

394 998	359 820
1 242 836	1 044 703
156 708	133 650
36 824	34 536
120 084	99 114
1 794 542	1 538 173

The movement in current provisions are reconciled as follows:

6.1 Staff Bonuses

Balance at beginning of year
Contribution to current portion
Expenditure incurred

359 820	297 822
827 792	757 140
(792 614)	(695 142)
394 998	359 820

Balance at end of year

Bonuses are being paid to all municipal staff, excluding section 57 employees. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

6.2 Staff Leave

Balance at beginning of year
Contribution to current portion
Expenditure incurred

1 044 703	792 276
269 384	275 082
(71 252)	(22 655)
1 242 836	1 044 703

Balance at end of year

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	R	R

7. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Payables	26 852 480	23 631 867
Payments received in advance	808 003	765 926
Retentions	396 792	68 165
Other Creditors	5 131 615	5 384 218
Correction of Error - Note 37.2	-	(472 021)
Total Trade Payables	33 188 889	29 378 155

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

Sundry deposits include Hall, Builders and Housing Deposits.

8. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent Conditional Government Grants and Receipts	9 970 032	8 142 075
National Government Grants	6 930 744	5 638 953
Provincial Government Grants	2 715 163	2 067 985
District Municipality	324 125	435 137
Other Sources	-	-
Less: Unpaid Conditional Government Grants and Receipts	(32 967)	-
National Government Grants	(32 967)	-
Provincial Government Grants	-	-
District Municipality	-	-
Other Sources	-	-
Total Conditional Grants and Receipts	9 937 065	8 142 075

See appendix "E" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

9. TAXES

VAT	(75 747)	2 830 474
Correction of Error - 37.3	-	(4 102 608)
Total Taxes (Payable)/Receivable	(75 747)	(1 272 134)

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

10. SHORT-TERM LOANS

The Municipality has no short term loans.

11. PROPERTY, PLANT AND EQUIPMENT

11.1 30 JUNE 2015

Reconciliation of Carrying Value						
	Land R	Buildings R	Infrastructure R	Lease Assets R	Other R	Total R
Carrying Value at 1 July 2014	7 275 297	11 096 904	85 221 809	395 375	1 602 123	105 591 507
Cost	7 275 297	20 539 026	194 827 721	773 810	4 312 288	227 728 141
Original Cost	7 275 297	20 539 026	194 827 721	773 810	4 312 288	227 728 141
Accumulated Depreciation and Impairment Losses	-	(9 442 123)	(109 605 912)	(378 435)	(2 710 164)	(122 136 634)
Original Cost	-	(9 442 123)	(109 605 912)	(378 435)	(2 710 164)	(122 136 634)
Acquisitions	187 647	-	2 355 904	273 960	374 003	3 191 513
Capital under Construction	-	-	5 900 733	-	-	5 900 733
Depreciation	-	(724 919)	(8 164 623)	(195 091)	(527 378)	(9 612 011)
Normal Depreciation	-	(724 919)	(8 164 623)	(195 091)	(527 378)	(9 612 011)
Correction of Error - Note 38.4	-	-	-	-	-	-
Carrying value of disposals	-	-	-	(2 951)	-	(2 951)
Cost	-	-	-	(4 918)	-	(4 918)
Accumulated Depreciation	-	-	-	1 967	-	1 967
IGRAP 2 Adjustments	-	-	6 403 702	-	-	6 403 702
Cost	-	-	5 474 015	-	-	5 474 015
Reversal of Impairment losses	-	-	1 118 704	-	-	1 118 704
Impairment losses	-	-	(189 016)	-	-	(189 016)
Carrying Value at 30 June 2015	7 462 943	10 371 985	91 717 524	471 293	1 448 749	111 472 494
Cost	7 462 943	20 539 026	208 558 372	1 042 852	4 686 291	242 289 484
Original Cost	7 462 943	20 539 026	208 558 372	1 042 852	4 686 291	242 289 484
Accumulated Depreciation and Impairment Losses	-	(10 167 041)	(116 840 848)	(571 559)	(3 237 542)	(130 816 990)
Original Cost	-	(10 167 041)	(116 840 848)	(571 559)	(3 237 542)	(130 816 990)

11.2 30 JUNE 2014

Reconciliation of Carrying Value						
	Land R	Buildings R	Infrastructure R	Lease Assets R	Other R	Total R
Carrying Value at 1 July 2013	7 275 297	11 821 822	93 343 311	578 924	2 148 264	115 167 617
Cost	7 275 297	20 539 026	193 726 977	906 055	4 312 288	226 759 643
Original Cost	7 275 297	20 539 026	191 037 133	906 055	4 312 288	224 069 799
Correction of Error - Note 37.4	-	-	2 689 844	-	-	2 689 844
Accumulated Depreciation and Impairment Losses	-	(8 717 204)	(100 383 666)	(327 131)	(2 164 024)	(111 592 026)
Original Cost	-	(8 717 204)	(99 882 982)	(327 131)	(2 164 024)	(111 091 342)
Correction of Error - Note 37.4	-	-	(500 684)	-	-	(500 684)
Acquisitions	-	-	-	-	-	-
Capital under Construction	-	-	1 100 744	-	-	1 100 744
Depreciation	-	(724 918)	(7 544 450)	(167 370)	(546 140)	(8 982 879)
Normal Depreciation	-	(724 918)	(7 157 449)	(167 370)	(546 140)	(8 595 878)
Backlog Depreciation previously not recorded - Note 37.4	-	-	(387 001)	-	-	(387 001)
Carrying value of disposals	-	-	-	(16 180)	-	(16 180)
Cost	-	-	-	(134 021)	-	(134 021)
Correction of Error - Note 37.4	-	-	-	1 775	-	1 775
Accumulated Depreciation	-	-	-	116 066	-	116 066
Impairment losses	-	-	(1 677 796)	-	-	(1 677 796)
IGRAP 2 Adjustments	-	-	(1 677 796)	-	-	(1 677 796)
Carrying Value at 30 June 2014	7 275 297	11 096 904	85 221 809	395 375	1 602 123	105 591 507
Cost	7 275 297	20 539 026	194 827 721	773 810	4 312 288	227 728 141
Original Cost	7 275 297	20 539 026	194 827 721	773 810	4 312 288	227 728 141
Accumulated Depreciation and Impairment Losses	-	(9 442 123)	(109 605 912)	(378 435)	(2 710 164)	(122 136 634)
Original Cost	-	(9 442 123)	(109 605 912)	(378 435)	(2 710 164)	(122 136 634)

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015 2014
R R

11.3 Assets pledged as security:

Leased Property, Plant and Equipment of R471 293 (2014: R395 375) is secured for leases as set out in Note 2.

12. INVESTMENT PROPERTY

Net Carrying amount at 1 July	502 059	502 059
Cost	502 059	502 059
Accumulated Depreciation	-	-
Accumulated Impairment Loss	-	-
Disposals	(13 900)	-
Depreciation for the year	-	-
Net Carrying amount at 30 June	488 159	502 059
Cost	488 159	502 059
Accumulated Depreciation	-	-
Accumulated Impairment Loss	-	-
Estimate Fair Value of Investment Property at 30 June	488 159	502 059

13. INTANGIBLE ASSETS

Net Carrying amount at 1 July	143 743	173 480
Cost	262 405	262 405
Accumulated Amortisation	(118 662)	(88 925)
Accumulated Impairment Loss	-	-
Acquisitions	-	-
Amortisation	(35 936)	(31 445)
Correction of Error - Note 37.5	-	1 709
Net Carrying amount at 30 June	107 808	143 743
Cost	262 405	262 405
Accumulated Amortisation	(154 597)	(118 662)
Accumulated Impairment Loss	-	-

No intangible asset were asessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There age no intangible assets pledged as security for liabilities.

There are no contractual commitments for the acquisition of intangible assets.

14. INVENTORY

Consumable Stores - Stationery and materials - At cost	32 222	42 214
Water - At purification cost	49 773	11 425
Total Inventory	81 995	53 638

The municipality recognised only purification costs in respect of non-purchased purified water inventory.

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	R	R

15. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Electricity
Water
Refuse
Sewerage
Other Arrears

5 718 432	3 759 656
9 817 173	7 784 575
4 163 955	3 477 601
2 220 661	1 817 822
11 684 787	10 354 712

Total: Receivables from exchange transactions (before provision)

33 605 008	27 194 366
------------	------------

Less: Provision for Debt Impairment

(28 729 248)	(26 396 164)
--------------	--------------

Total: Receivables from exchange transactions (after provision)

4 875 760	798 203
-----------	---------

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.

The fair value of receivables approximate their carrying value.

(Electricity): Ageing

Current (0 - 30 days)
31 - 60 Days
61 - 90 Days
+ 90 Days

1 560 000	215 110
198 394	222 318
153 927	176 725
3 806 110	3 145 503

Total

5 718 432	3 759 656
-----------	-----------

(Water): Ageing

Current (0 - 30 days)
31 - 60 Days
61 - 90 Days
+ 90 Days

261 886	285 310
573 273	332 944
263 316	266 154
8 718 697	6 900 167

Total

9 817 173	7 784 575
-----------	-----------

(Refuse): Ageing

Current (0 - 30 days)
31 - 60 Days
61 - 90 Days
+ 90 Days

101 800	103 208
93 291	97 372
88 995	88 263
3 879 869	3 188 758

Total

4 163 955	3 477 601
-----------	-----------

(Sewerage): Ageing

Current (0 - 30 days)
31 - 60 Days
61 - 90 Days
+ 90 Days

92 540	95 562
78 665	86 613
71 597	73 047
1 977 860	1 562 600

Total

2 220 661	1 817 822
-----------	-----------

(Other): Ageing

Current (0 - 30 days)
31 - 60 Days
61 - 90 Days
+ 90 Days

169 338	83 859
204 548	89 670
152 763	82 765
11 158 138	10 098 418

Total

11 684 787	10 354 712
------------	------------

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	R	R
<u>(Total): Ageing</u>		
Current (0 - 30 days)	2 185 565	783 049
31 - 60 Days	1 148 172	828 917
61 - 90 Days	730 598	686 954
+ 90 Days	29 540 674	24 895 446
Total	33 605 008	27 194 366

Reconciliation of Provision for Debt Impairment

Balance at beginning of year	26 396 164	20 473 828
Contribution to provision	2 046 565	5 195 031
VAT on provision	286 519	727 304
Bad Debts written off against provision	-	-
Reversal of provision	-	-
Balance at end of year	28 729 248	26 396 164

The total amount of this provision is R28 729 248 and consist of:

Services	18 310 349	15 205 684
Other Debtors	10 418 899	11 190 479

Total Provision for Debt Impairment on Receivables from exchange transactions

28 729 248	26 396 164
-------------------	-------------------

Ageing of amounts past due but not impaired:

31 - 60 Days	1 148 172	-
61 - 90 Days	730 598	-
+ 90 Days	811 426	15 154
	2 690 195	15 154

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

16. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Taxes - Rates	11 727 860	7 864 228
Other Receivables	121 137	31 900

Less: Provision for Debt Impairment

11 848 998	7 896 127
(9 452 920)	(2 715 111)

Total Receivables from non-exchange transactions

2 396 077	5 181 017
------------------	------------------

The fair value of other receivables approximate their carrying value.

Rates debtors are are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

(Rates): Ageing

Current (0 - 30 days)	561 368	141 450
31 - 60 Days	205 053	430 870
61 - 90 Days	226 897	129 593
+ 90 Days	10 734 542	7 162 314
Total	11 727 860	7 864 228

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015 2014
R R

Reconciliation of Provision for Debt Impairment

Balance at beginning of year	2 715 111	5 063 064
Contribution to provision	6 737 810	-
Bad Debts written off against provision	-	-
Reversal of provision	-	(2 347 954)
Balance at end of year	<u>9 452 920</u>	<u>2 715 111</u>

The total amount of this provision is R9 452 920 and consist of:

Taxes	9 452 920	2 715 111
Other	-	-

Total Provision for Debt Impairment on Trade Receivables from non-exchange transactions

<u>9 452 920</u>	<u>2 715 111</u>
------------------	------------------

Ageing of amounts past due but not impaired:

31 - 60 Days	205 053	430 870
61 - 90 Days	226 897	129 593
+ 90 Days	1 281 622	4 447 203
	<u>1 713 572</u>	<u>5 007 667</u>

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

17. OPERATING LEASE ARRANGEMENTS

17.1 The Municipality as Lessor

Operating Lease Asset	<u>6</u>	<u>1 471</u>
-----------------------	----------	--------------

Reconciliation

Balance at the beginning of the year	1 471	2 635
Movement during the year	(1 465)	(1 164)
Balance at the end of the year	<u>6</u>	<u>1 471</u>

At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:

Up to 1 Year	116	12 144
1 to 5 Years	-	116
More than 5 Years	-	-
Total Operating Lease Arrangements	<u>116</u>	<u>12 260</u>

Operating Leases relate to Property owned by the municipality with lease terms of between 3 to 6 (2014: 15 to 21) months, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an decrease of R1 465 (2013: Decrease of R1 164) in current year income.

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

The following restrictions have been imposed by the municipality in terms of the lease agreements:
The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
(i) The lessor is the duly authorised agent, representative or servant shall have the right at all
(ii) reasonable times to inspect the premises let.
(iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement

18. BANK ACCOUNTS

18.1 Cash and Cash Equivalents

Current Accounts
Call Investments Deposits
Correction of Error - Note 38.9

Total Cash and Cash Equivalents - Assets

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Call Investments Deposits to an amount of R728 573 are held to fund the Unspent Conditional Grants (2014: R573 834).

A guarantee of R265 534 (2014: R265 534) for Deman Facility Individual Guarantee exists.

The municipality has the following bank accounts:

Current Accounts

First National Bank - Account Number 620 2250 1440 (Primary Bank Account):

817 920	187 702
817 920	187 702

Call Investment Deposits

First National Bank - Account Number 62012466018:
First National Bank - Account Number 62182751729:
First National Bank - Account Number 62117682791:
First National Bank - Account Number 62117684606:
First National Bank - Account Number 7428229369:
First National Bank - Account Number 71053360915:
First National Bank - Account Number 71059354754:
Momentum 3D Gearing Plan - Account Number 1001327535:

1 000	1 038
219 572	10 000
18 778	100 303
140	140
239 800	226 703
118 045	111 587
131 221	124 080
(11)	(11)
728 544	573 841

Details of current accounts is as follow:

First National Bank - Account Number 620 2250 1440 (Primary Bank Account):

Cash book balance at beginning of year	187 702	(3 967 366)
Cash book balance at end of year	817 920	187 702

Cash book balance at beginning of year	46 326	73 215
Cash book balance at end of year	136 025	46 326

Bank statement balance at beginning of year
Bank statement balance at end of year

First National Bank - Account Number 62012466018:

Cash book balance at beginning of year	1 038	1 023
Cash book balance at end of year	1 000	1 038

Bank statement balance at beginning of year	1 038	1 023
Bank statement balance at end of year	1 000	1 038

First National Bank - Account Number 62182751729:

Cash book balance at beginning of year	10 000	12 126
Cash book balance at end of year	219 572	10 000

Bank statement balance at beginning of year	10 000	12 126
Bank statement balance at end of year	219 572	10 000

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
First National Bank - Account Number 62117682791:		
Cash book balance at beginning of year	100 303	154 406
Cash book balance at end of year	18 778	100 303
Bank statement balance at beginning of year		
Bank statement balance at end of year	100 303	154 406
	18 778	100 303
First National Bank - Account Number 62117684606:		
Cash book balance at beginning of year	140	(849)
Cash book balance at end of year	140	140
Bank statement balance at beginning of year		
Bank statement balance at end of year	140	(849)
	140	140
First National Bank - Account Number 7428229369:		
Cash book balance at beginning of year	226 703	215 507
Cash book balance at end of year	239 800	226 703
Bank statement balance at beginning of year		
Bank statement balance at end of year	226 703	215 507
	239 800	226 703
First National Bank - Account Number 71053360915:		
Cash book balance at beginning of year	111 587	106 314
Cash book balance at end of year	118 045	111 587
Bank statement balance at beginning of year		
Bank statement balance at end of year	111 587	106 314
	118 045	111 587
First National Bank - Account Number 71059354764:		
Cash book balance at beginning of year	124 080	118 185
Cash book balance at end of year	131 221	124 080
Bank statement balance at beginning of year		
Bank statement balance at end of year	124 080	118 185
	131 221	124 080
Momentum 3D Gearing Plan - Account Number 1001327535:		
Cash book balance at beginning of year	(11)	(11)
Cash book balance at end of year	(11)	(11)
Bank statement balance at beginning of year		
Bank statement balance at end of year	(11)	(11)
	(11)	(11)
PROPERTY RATES		
<i>Actual</i>		
Rateable Land and Buildings	7 713 453	3 993 869
<u>Less: Rebates</u>	(1 420 202)	(829 495)
Total Assessment Rates	6 293 251	3 164 373
Valuations - 1 July 2014		
Rateable Land and Buildings	1 365 794 300	1 001 596 818
Residential Property	207 026 400	200 904 057
Commercial Property	32 275 500	24 118 844
Industrial Property	3 659 200	21 500
Public Benefits Organisations	18 597 300	14 456 900
Agricultural Purposes	1 016 661 100	427 987 500
State - National/ Provincial Services	70 210 400	20 017 500
Municipal Property	17 364 400	314 090 517
Total Assessment Rates	1 365 794 300	1 001 596 818

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

Basic Rate

Residential
Commercial
Agricultural
State
Industrial

1.18989cR
1.178483cR
0.04997cR
2.97473cR
1.178483cR

1.12254cR
1.68381cR
0.07858cR
2.80635cR
1.68381cR

Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September. Interest is levied at a rate determined by council on outstanding rates amounts.

Rebates were granted on land with buildings used solely for dwellings purposes as follows:

Residential
Public Benefit Organisations
State

- The first R15 000 on the valuation is exempted.
-100%
- 30%

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

20. GOVERNMENT GRANTS AND SUBSIDIES

Unconditional

Equitable Share

13 411 000

8 728 000

Conditional

Grants and Donations
Subsidies

12 002 261

9 052 206

12 002 261	9 052 206
-	-

Total Government Grants and Subsidies

25 413 261	17 780 206
------------	------------

Government Grants and Subsidies - Operating
Government Grants and Subsidies - Capital

16 778 280	17 242 330
8 634 981	537 876

25 413 261	17 780 206
------------	------------

Total Government Grants and Subsidies

Revenue recognised per vote as required by Section 123 (c) of the MFMA:

Equitable share

13 411 000

8 728 000

Budget & Treasury Office
Corporate Services
Planning & Development
Road Transport
Electricity

10 830 574	7 718 927
248 412	243 781
47 176	121 136
876 100	759 762
-	208 600

Total Government Grants and Subsidies

25 413 261	17 780 206
------------	------------

20.1

Equitable Share

Opening balance
Correction of Error
Grants received
Interest received
Repaid to National Revenue Fund
Conditions met - Operating
Conditions met - Capital
Conditions still to be met

-	-
-	-
13 411 000	13 681 000
-	-
-	-
(13 411 000)	(13 681 000)
-	-
-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
20.2		
<u>Local Government Financial Management Grant (FMG)</u>		
Opening balance	-	-
Correction of Error	-	-
Grants received	1 800 000	1 650 000
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(1 832 967)	(1 650 000)
Conditions met - Capital	-	-
Conditions still to be met	(32 967)	-
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		
20.3		
<u>Municipal Systems Improvement Grant (MSIG)</u>		
Opening balance	476 027	372 678
Correction of Error	-	-
Grants received	934 000	890 000
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(867 471)	(786 651)
Conditions met - Capital	-	-
Conditions still to be met	542 555	476 027
The Municipal Systems Improvement Grant was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		
20.4		
<u>Municipal Infrastructure Grant (MIG)</u>		
Opening balance	4 998 120	3 685 397
Correction of Error	-	-
Grants received	9 129 000	6 595 000
Interest received	-	-
Repaid to National Revenue Fund	-	(4 953 000)
Conditions met - Operating	(7 903 737)	(329 276)
Conditions met - Capital	-	-
Conditions still to be met	6 223 384	4 998 121
The Municipal Infrastructure Grant was used to upgrade infrastructure in previously disadvantaged areas.		
20.5		
<u>Integrated National Electrification Grant</u>		
Opening balance	164 805	173 405
Correction of Error	-	-
Grants received	-	200 000
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	(208 600)
Conditions still to be met	164 805	164 805
The grant was used to promote rural development and upgrade electricity infrastructure.		

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	R	R
20.6		
<u>Expanded Public Works Programme (EPWP)</u>		
Opening balance	928 620	-
Correction of Error	-	-
Grants received	1 000 000	1 000 000
Interest received	-	-
Repaid to National Revenue Fund	(144 855)	(71 380)
Conditions met - Operating	(731 244)	-
Conditions met - Capital	-	-
Conditions still to be met	1 052 520	928 620
The grant was used for job creation.		
20.7		
<u>Department Water Affairs and Environment (DWAF)</u>		
Opening balance	141 362	141 362
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	141 362	141 362
The grant was used for the refurbishment of water infrastructure.		
20.8		
<u>Department Cooperative Government, Housing & Traditional Affairs (COHGTA)</u>		
Opening balance	-	504 697
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	(504 697)
Conditions met - Capital	-	-
Conditions still to be met	-	0
The Housing grant was utilised for the development of even and the erection of top structures.		
20.9		
<u>Library Grant</u>		
Opening balance	218 219	-
Correction of Error	-	-
Grants received	653 000	462 000
Interest received	-	-
Repaid to National Revenue Fund	(248 412)	(243 781)
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	622 808	218 219
The grant was used to finance library activities.		
20.10		
<u>Project Nala</u>		
Opening balance	620 180	236 450
Correction of Error	-	-
Grants received	-	504 866
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	(121 136)
Conditions met - Capital	-	-
Conditions still to be met	620 180	620 180
The grant was used for job creation.		

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	R	R
20.11		
<u>Department Finance, Economic Development & Tourism</u>		
Opening balance	50 000	50 000
Correction of Error	-	-
Grants received	150 000	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	200 000	50 000
The grant will be used for the Power Flower Run.		
20.12		
<u>Tourism</u>		
Opening balance	78 451	22 776
Correction of Error	-	-
Grants received	15 865	55 675
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(47 176)	-
Conditions met - Capital	-	-
Conditions still to be met	47 140	78 451
The grant was used for tourism activities.		
20.13		
<u>Department Social Services</u>		
Opening balance	482	482
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	482	482
The grant was used for various projects.		
20.14		
<u>Department Sport, Arts and Culture</u>		
Opening balance	6 262	6 262
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	6 262	6 262
The grant was used for various projects.		
20.15		
<u>Drought Relief</u>		
Opening balance	24 409	24 409
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	24 409	24 409
The grant was used for drought relief.		

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
20.16 Namakwa DM		
Opening balance	435 138	-
Correction of Error	-	-
Grants received	115 386	618 822
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(226 399)	(183 685)
Conditions met - Capital	-	-
Conditions still to be met	324 125	435 137
The grant was used for various projects.		
20.17 Total Grants		
Opening balance	8 142 075	5 217 918
Correction of Error	-	-
Grants received	27 208 251	25 657 363
Interest received	-	-
Repaid to National Revenue Fund	(16 778 280)	(4 953 000)
Conditions met - Operating	(8 634 981)	(17 242 330)
Conditions met - Capital	9 937 065	(537 876)
Conditions still to be met/(Grant expenditure to be recovered)	9 937 065	8 142 075
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	9 970 032	8 142 075
Unpaid Conditional Government Grants and Receipts	(32 967)	-
Total	9 937 065	8 142 075
21. PUBLIC CONTRIBUTIONS AND DONATIONS		
De Beers	-	490 031
Other	-	106 138
Total Public Contributions and Donations	-	596 169
22. SERVICE CHARGES		
Electricity	4 993 771	4 208 892
Water	3 792 337	3 198 738
Refuse Removal	1 659 778	1 520 272
Sewerage and Sanitation Charges	1 290 226	1 221 429
Less: Income Forgone	11 736 111	10 149 331
Total Service Charges	(1 896 112)	(2 180 229)
Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.	9 840 000	7 969 102
23. RENTAL OF FACILITIES AND EQUIPMENT		
Rental of facilities	280 444	212 728
Rental of equipment	180	992
Total Rental of Facilities and Equipment	280 624	213 720
24. INTEREST EARNED - EXTERNAL INVESTMENTS		
Bank	140 637	73 864
Total Interest Earned - External Investments	140 637	73 864

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
25. INTEREST EARNED - OUTSTANDING RECEIVABLES		
Trade Receivables	2 545 667	2 444 735
Total Interest Earned - Outstanding Receivables	2 545 667	2 444 735
26. OTHER INCOME		
Building plans	7 930	7 453
Connection Fees	20 762	13 237
Commonage Rent	542 755	584 760
Motor Vehicle Number plates	-	3 962
Opening of graves	10 259	5 311
Photostat, Copies and Faxes	14 258	13 151
Telephone Cost Recover	10	1 616
Tender Documents	1 579	1 360
Training	-	19 707
Valuation Certificates	17 411	11 680
Sundry Income	193 324	1 428
Total Other Income	808 289	663 665
27. EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	10 734 632	9 846 218
Employee Related Costs - Contributions for UIF and Pensions	1 578 127	1 393 425
Employee Related Costs - Contributions for Medical Aids	378 455	262 504
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	1 229 162	1 448 672
Housing Benefits and Allowances	143 180	145 324
Overtime Payments	537 760	487 845
Bonuses	827 792	757 140
Provision for leave	269 384	275 082
Contribution to provision - Long Service Awards - Note 4	75 627	74 079
Contribution to provision - Post Retirement Medical - Note 4	165 472	104 547
Less: Employee Costs allocated elsewhere	15 939 592	14 794 836
Total Employee Related Costs	15 939 592	14 794 836
KEY MANAGEMENT PERSONNEL		
Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.		
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
<i>Remuneration of the Municipal Manager - Mr JG Cloete (Current)</i>		
Annual Remuneration	625 634	563 544
Travelling Allowance	196 600	180 485
Telephone Allowance	9 509	9 000
Annual Bonus	-	-
Contributions to UIF, Medical and Pension Funds	6 869	9 482
Total	838 602	762 511
<i>Remuneration of the Chief Financial Officer - Mr RC Beukes</i>		
Annual Remuneration	293 481	266 735
Car Allowance	81 793	70 160
Telephone allowance	9 000	9 000
Annual Bonus	22 301	20 884
Contributions to UIF, Medical and Pension Funds	66 914	64 487
Total	473 490	431 266

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	R	R
Remuneration of Manager: Corporate Services - Mrs DC Beukes		
Annual Remuneration	267 618	254 305
Car Allowance	74 571	67 476
Telephone allowance	9 000	9 000
Annual Bonus	20 884	19 646
Contributions - UIF, Medical, Pension	85 791	59 055
Total	457 864	409 482

Remuneration of Manager: Economic Development Services - Mr IE Jenner (Resign)		
Annual Remuneration	-	220 423
Car Allowance	-	127 458
Telephone allowance	-	7 500
Annual Bonus	-	-
Contributions - UIF, Medical, Pension	-	4 840
Total	-	360 221

Remuneration of Manager: Technical Services - Mr FA Links		
Annual Remuneration	280 038	264 260
Car Allowance	130 393	116 120
Telephone allowance	9 000	9 000
Annual Bonus	34 832	20 884
Contributions - UIF, Medical, Pension	87 308	82 926
Total	541 570	493 190

28. REMUNERATION OF COUNCILLORS

EA Stewens			
PJ Willems	224 507	195 491	
HG Links	228 119	195 575	
MJ Cloete	890 565	199 637	
MS Joseph	225 203	628 780	
EA Steenkamp	236 545	-	
SC Nero	259 388	195 395	
M/R Klaase	228 119	198 999	
MS Cardinal		195 380	

Total Councillors' Remuneration

2 292 447	1 809 257
------------------	------------------

Remuneration paid to Councillors can be summarised as follow:

	Salary	Travel Allowance	Other Allowances	Contributions	Total
Mayor	448 486	151 115	211 920	79 045	890 565
Councillors	874 596	272 007	129 013	126 265	1 401 882
Total Councillors' Remuneration	1 323 082	423 122	340 933	205 310	2 292 447

In-kind Benefits

The Councillor occupying the position of Mayor/Speaker of the municipality serves in a full-time capacity and is provided with office accommodation and secretarial support at the expense of the municipality in order to enable the councillor to perform his official duties.

Certification by the Municipal Manager

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.


Signed: Municipal Manager

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
29. DEBT IMPAIRMENT		
Receivables from exchange transactions - Note 15	2 333 084	5 922 336
Receivables from non-exchange transactions - Note 16	6 737 810	(2 347 954)
<u>Less: VAT Portion on Debt Impairment</u>		
<u>Total Debt Impairment</u>	9 070 894	3 574 382
	(286 519)	(727 304)
<u>8 784 375</u>	<u>2 847 077</u>	
30. DEPRECIATION AND AMORTISATION		
Property, plant and equipment	9 612 011	8 595 878
Intangible assets	35 936	31 445
Correction of Error - Note 37,6	-	385 293
<u>Total Depreciation and Amortisation</u>	<u>9 647 947</u>	<u>9 012 615</u>
31. FINANCE COSTS		
Long-term Liabilities	79 520	88 964
Non-current Provisions	867 631	456 046
Non-current Employee Benefits	206 283	153 716
Creditors	599 485	1 563
<u>Total Finance Costs</u>	<u>1 752 919</u>	<u>700 289</u>
32. BULK PURCHASES		
Electricity	4 548 803	9 683 442
Water	539 718	649 260
Correction of Error - Note 37,6	-	(472 021)
<u>Total Bulk Purchases</u>	<u>5 088 521</u>	<u>9 860 681</u>
33. OTHER OPERATING GRANT EXPENDITURE		
Operating Grant Expenditure per Vote		
Budget & Treasury Office	1 063 203	4 573 697
Corporate Services	248 412	248 901
Planning & Development	85 387	82 951
Road Transport	226 399	2 520 778
Electricity	-	182 983
<u>Total Operating Grant Expenditure</u>	<u>1 623 400</u>	<u>7 609 310</u>
34. GENERAL EXPENSES		
Administration Costs	-	3 550
Advertising	21 588	12 504
Audit Fees	1 737 429	1 509 132
Bank Charges	67 597	67 997
Chemicals and Poison	186 465	39 132
Desalting	31 465	111 096
Fuel and Oil	607 723	522 800
Insurance	267 835	348 058
Legal Costs	177 667	71 129
Levies: SALGA	522 000	1 056 758
Licensing	32 385	26 274
Marketing and Public Relations	128 500	105 000
Materials	31 008	68 536
Printing and Stationery	297 811	331 160
Public Receptions	-	1 500
Refreshments	1 469	8 052
Rent - Plant and Vehicles	-	500
Special Projects/Programmes	165 918	62 856
Telephone Cost	711 893	670 751
Training Costs	-	10 808
Ward Committee Meetings	63 165	79 647
Other	106 430	2 363
<u>Total General Expenses</u>	<u>5 158 349</u>	<u>5 109 606</u>

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
35. GAINS/(LOSS) ON SALE OF ASSETS		
Property, plant and equipment	(14 482)	(17 965)
Correction of Error - Note 37.6		1 775
Total Gain/ (Loss) on Sale of Assets	(14 482)	(16 180)
36. (IMPAIRMENT LOSS)/ REVERSAL OF IMPAIRMENT LOSS		
Property, Plant and Equipment	-	-
Total (Impairment Loss)/ Reversal of Impairment Loss	-	-
37. CORRECTION OF ERROR IN TERMS OF GRAP 3		
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP:		
37.1 Consumer Deposits		
Balance previously reported	-	29 670
Consumer Deposit not recognised in prior years - Note 5	-	104
Restated Balance	-	29 774
Consumer Deposit not recognised in prior years.		
37.2 Payables from Exchange Transactions		
Balance previously reported	-	29 850 176
Correction of Trade Creditors - Note 7	-	(472 021)
Restated Balance	-	29 378 155
Correction of prior year Trade Creditors.		
37.3 Taxes		
Balance previously reported	-	2 830 474
Correction of VAT Control Accounts - Note 9	-	(4 102 608)
Restated Balance	-	(1 272 134)
Correction of VAT Control Accounts.		
37.4 Property, Plant and Equipment		
Balance previously reported	-	103 787 573
Cost	-	2 691 619
Infrastructure Assets - Water and Electricity Meters not recognised in prior years - Note 11	-	3 280 343
Infrastructure Assets - Work in Process duplicated in prior years - Note 11	-	(590 500)
Lease Asset Disposal recognised incorrectly in 2013/2014 - Note 11	-	1 775
list movements	-	
Accumulated Depreciation	-	(987 685)
Infrastructure Assets - Depreciation on Water and Electricity Meters not recognised in before 1 July 2013 - Note 11	-	(500 684)
Infrastructure Assets - Depreciation on Water and Electricity Meters not recognised in 2013/2014 - Note 11	-	(147 947)
Infrastructure Assets - Depreciation recognised incorrectly in 2013/2014 - Note 11	-	(239 054)
Restated Balance	-	105 591 507
Correction of Infrastructure Assets and Lease Assets.		

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	R	R
37.5 Intangible Assets		
Balance previously reported	-	142 034
Accumulated Amortisation	-	1 709
Amortisation calculated incorrectly in 2013/2014 - Note 13	-	1 709
Restated Balance	-	143 743

Correction of amortisation for 2013/2014.

Correction of Consumer Accounts

37.6 Accumulated Surplus/(Deficit) - 1 July 2013		
Consumer Deposit not recognised in prior years - Note 37.1	-	(104)
Correction of VAT Control Accounts - Note 37.1	-	(4 102 608)
Infrastructure Assets - Water and Electricity Meters not recognised in prior years - Note 37.4	-	3 280 343
Infrastructure Assets - Work in Process duplicated in prior years - Note 37.4	-	(590 500)
Infrastructure Assets - Depreciation on Water and Electricity Meters not recognised in before 1 July 2013 - Note 37.4	-	(500 684)
Total	-	(1 913 552)

37.7 Changes to Statement of Financial Performance

Movement on operating account as a result of GRAP standards not implemented in prior years:

	Note	Balance previously reported	Adjustments	Restated Balance
Revenue				
Property taxes		3 164 373	-	3 164 373
Government Grants and Subsidies		17 780 206	-	17 780 206
Public Contributions and Donations		596 169	-	596 169
Fines		934	-	934
Actuarial Gains		11 468	-	11 468
Service Charges		7 969 102	-	7 969 102
Rental of Facilities and Equipment		213 720	-	213 720
Interest Earned - external investments		73 864	-	73 864
Interest Earned - outstanding receivables		2 444 735	-	2 444 735
Licences and Permits		342 124	-	342 124
Income for Agency Services		399 806	-	399 806
Other Income		663 665	-	663 665
Total		33 660 165	-	33 660 165
Expenditure				
Employee related costs		(14 794 836)	-	(14 794 836)
Remuneration of Councilors		(1 809 256)	-	(1 809 256)
Debt Impairment		(2 847 077)	-	(2 847 077)
Depreciation and Amortisation	30	(8 627 323)	(385 293)	(9 012 615)
Repairs and Maintenance		(935 797)	-	(935 797)
Actuarial Losses		(316 030)	-	(316 030)
Finance Costs		(700 289)	-	(700 289)
Bulk Purchases	32	(10 332 701)	472 021	(9 860 681)
Contracted Services		(577 842)	-	(577 842)
Other Operating Grant Expenditure		(7 609 310)	-	(7 609 310)
General Expenses		(5 109 606)	-	(5 109 606)
Loss on Sale of Assets	35	(17 955)	1 775	(16 180)
Total		(53 678 022)	88 503	(53 589 519)
Net Surplus/(Deficit) for the year		(20 017 857)	88 503	(19 929 353)

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
38. RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
Surplus/(Deficit) for the year	(5 677 020)	(19 929 365)
<u>Adjustments for:</u>		
Depreciation and amortisation	9 647 947	9 012 615
Loss/(Gain) on disposal of property, plant and equipment	-	(1 775)
Government Grants and Subsidies received	27 208 251	25 657 363
Government Grants and Subsidies recognised as revenue	(25 413 261)	(17 780 206)
Contribution to provisions – Non-Current Provisions	-	(4 953 000)
Contribution from/to provisions - Current Employee Benefits	867 631	456 046
Contribution from/to provisions - Non-Current Employee Benefits	1 097 177	1 032 221
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial losses	346 454	274 392
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial gains	13 538	316 030
Contribution to provisions – Bad debt	(33 977)	(11 468)
Reversal of Provision for Bad debt	9 070 894	5 922 336
Operating lease income accrued	-	(2 347 954)
	1 465	1 164
Operating Surplus/(Deficit) before changes in working capital	17 129 099	(2 351 589)
Changes in working capital	(7 302 042)	7 717 924
Increase/(Decrease) in Consumer Deposits	1 339 346	-
Increase/(Decrease) in Trade and Other Payables	3 810 734	15 334 471
Increase/(Decrease) in Employee Benefits	(863 866)	(717 797)
Increase/(Decrease) in Taxes	(1 196 387)	(801 372)
(Increase)/Decrease in Inventory	(28 356)	21 572
(Increase)/Decrease in Trade Receivables from exchange transactions	(6 410 641)	(4 864 765)
(Increase)/Decrease in Other Receivables from non-exchange transactions	(3 952 871)	(1 254 186)
Cash generated/(absorbed) by operations	9 827 057	5 366 335
39. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Current Accounts - Note 18	817 920	187 702
Call Investments Deposits - Note 18	728 573	573 834
Total cash and cash equivalents	1 546 493	761 536
40. RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 39	1 546 493	761 536
<u>Less:</u>		
Unspent Committed Conditional Grants - Note 8	(9 970 032)	(8 142 076)
VAT - Note 9	75 747	(2 830 474)
Net cash resources available for internal distribution	(8 347 792)	(10 211 014)
Allocated to:		
Capital Replacement Reserve	-	-
Resources available for working capital requirements	(8 347 792)	(10 211 014)
41. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - Note 2	486 978	453 682
Used to finance property, plant and equipment - at cost	(486 978)	(453 682)
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	-	-
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act		

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

42. BUDGET COMPARISONS

42.1 Operational Budget by Standard Classification

Revenue - Standard

	2015 Actual R	2015 Final Budget R	2015 Variance R	2015 Variance %
Governance and Administration				
Executive & Council	(1 896 112)	(1 103 464)	(792 648)	71.83%
Budget & Treasury Office	32 320 166	22 941 405	9 378 761	40.88%
Corporate Services	793 807	528 326	265 481	50.25%
Community and Public Safety				
Community & Social Services	553 769	670 311	(116 542)	-17.39%
Sport and Recreation	13 203	19 332	(6 129)	-31.70%
Public Safety	-	-	-	-
Housing	-	-	-	-
Health	-	-	-	-
Economic and Environmental Services				
Planning & Development	272 934	1 245 751	(972 817)	-78.09%
Road Transport	884 210	6 522	877 688	13457.34%
Environmental Protection	-	-	-	-
Trading Services				
Electricity	5 204 607	5 307 108	(102 501)	-1.93%
Water	4 342 613	4 310 235	32 378	0.75%
Waste Water Management	1 407 576	1 408 587	(1 011)	-0.07%
Waste Management	1 943 204	1 949 136	(5 932)	-0.30%
Other	-	-	-	-
Total Revenue	45 839 977	37 283 249	8 556 728	22.95%

Expenditure - Standard

Governance and Administration				
Executive & Council	(3 585 467)	(3 513 636)	(71 829)	2.04%
Budget & Treasury Office	(9 826 411)	(11 719 251)	1 892 840	-16.15%
Corporate Services	(14 228 563)	(3 820 132)	(10 408 431)	272.46%
Community and Public Safety				
Community & Social Services	(186 241)	(20 000)	(166 241)	831.20%
Sport and Recreation	(79 520)	-	(79 520)	100.00%
Public Safety	-	-	-	-
Housing	-	-	-	-
Health	-	-	-	-
Economic and Environmental Services				
Planning & Development	(896 878)	(1 920 883)	1 024 005	-53.31%
Road Transport	(2 533 517)	(1 932 323)	(601 194)	31.11%
Environmental Protection	-	-	-	-
Trading Services				
Electricity	(12 201 975)	(6 340 900)	(5 861 075)	92.43%
Water	(3 069 344)	(2 787 521)	(281 823)	10.11%
Waste Water Management	-	-	-	-
Waste Management	(4 909 082)	(2 995 284)	(1 913 798)	63.89%
Other	-	-	-	-
Total Expenditure	(51 516 997)	(35 049 932)	(16 467 065)	46.98%
Surplus/(Deficit) for the year	(5 677 020)	2 233 317	(7 910 337)	-354.20%

Details of material variances

Refer to note 43 for explanations.

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 Actual R	2015 Budget R	2015 Variance R	2015 Variance %
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42.2 Capital Expenditure by Standard Classification

Governance and Administration	-	-	-	-
Executive and council	-	-	-	-
Budget and Treasury Office	-	-	-	-
Corporate Services	-	-	-	-
Community and Public Safety	-	-	-	-
Community and Social Services	-	-	-	-
Sport and Recreation	-	-	-	-
Public Safety	-	-	-	-
Housing	-	-	-	-
Health	-	-	-	-
Economic and Environmental Services	-	-	-	-
Planning and Development	-	-	-	-
Road Transport	-	-	-	-
Environmental Protection	-	-	-	-
Trading Services	-	-	-	-
Electricity	-	-	-	-
Water	7 622 726	9 129	7 613 597	83400.12%
Waste Water Management	-	-	-	-
Waste Management	-	-	-	-
Other	-	-	-	-
Total Capital Expenditure	7 622 726	9 129	7 613 597	83400.12%

Details of material variances

Refer to note 43 for explanations.

42.3 Operational Budget by Municipal Vote

Revenue - Vote

Executive and Council	(1 896 112)	(1 103 464)	(792 648)	71.83%
Municipal Manager	(1 896 112)	(1 103 464)	(792 648)	71.83%
Councillors	-	-	-	-
Finance and Administration	33 874 747	24 358 459	9 516 288	56.69%
Finance	32 320 166	22 941 405	9 378 761	40.88%
Administration	1 011 826	758 599	253 227	33.38%
Commonage	542 755	658 455	(115 700)	-17.57%
Community and Social Services	11 014	11 856	(842)	-15.35%
Cemeteries	10 259	11 033	(774)	-7.01%
Libraries	754	823	(69)	-8.34%
Sport and Recreation	13 203	19 332	(6 129)	-31.70%
Sportgrounds and Community Facilities	-	19 332	-	-
Caravan Park	13 203	-	(6 129)	-31.70%
Waste Management	1 943 204	1 949 136	(5 932)	-0.30%
Refuse and Sanitation	1 943 204	1 949 136	(5 932)	-0.30%
Water	4 342 613	4 310 235	32 378	0.75%
Electricity	4 342 613	4 310 235	32 378	0.75%
Economic and Social Development	5 204 607	5 307 108	(102 501)	-1.93%
Local Economic Development	5 204 607	5 307 108	(102 501)	-1.93%
Technical and Roads	54 915	1 015 478	(960 563)	-94.59%
Streets	54 915	1 015 478	(960 563)	-94.59%
	884 210	6 522	877 688	13457.34%
	884 210	6 522	877 688	13457.34%

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Waste Water Management	1 407 576	1 408 587	(1 011)	-0.07%
Sewerage	1 407 576	1 408 587	(1 011)	-0.07%
Total Revenue	45 839 977	37 283 249	8 556 728	22.95%
Expenditure - Vote	2015 Actual R	2015 Budget R	2015 Variance R	2015 Variance %
Executive and Council	(3 585 467)	(3 513 638)	(71 829)	2.04%
Municipal Manager	(894 326)	(921 974)	27 648	-3.00%
Councillors	(2 691 141)	(2 591 664)	(99 477)	3.84%
Finance and Administration	(24 241 215)	(15 559 383)	(8 681 832)	55.80%
Finance	(9 826 411)	(11 719 251)	1 892 840	-16.15%
Administration	(14 228 563)	(3 820 132)	(10 408 431)	272.46%
Commonage	(186 241)	(20 000)	(156 241)	831.20%
Community and Social Services	-	-	-	-
Cemeteries	-	-	-	-
Libraries	-	-	-	-
Sport and Recreation	(79 520)	-	(79 520)	100.00%
Sportgrounds and Community Facilities	(79 520)	-	(79 520)	100.00%
Caravan Park	-	-	-	-
Waste Management	(4 909 082)	(2 995 284)	(1 913 798)	63.89%
Refuse and Sanitation	(4 909 082)	(2 995 284)	(1 913 798)	63.89%
Water	(3 069 344)	(2 787 521)	(281 823)	10.11%
Water	(3 069 344)	(2 787 521)	(281 823)	10.11%
Electricity	(12 201 975)	(6 340 900)	(5 861 075)	92.43%
Electricity	(12 201 975)	(6 340 900)	(5 861 075)	92.43%
Economic and Social Development	(896 878)	(1 920 883)	1 024 005	-53.31%
Local Economic Development	(896 878)	(1 920 883)	1 024 005	-53.31%
Technical and Roads	(2 533 517)	(1 932 323)	(601 194)	31.11%
Streets	(2 533 517)	(1 932 323)	(601 194)	31.11%
Waste Water Management	-	-	-	-
Sewerage	-	-	-	-
Total Expenditure	(51 516 997)	(35 049 932)	(16 467 065)	46.98%
Surplus/(Deficit) for the year	(5 677 020)	2 233 317	(7 910 337)	-354.20%

Details of material variances

Refer to note 43 for explanations.

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 Actual R	2015 Budget R	2015 Variance R	2015 Variance %
42.4 Capital Expenditure by Municipal Vote				
Executive and Council	-	-	-	
Municipal Manager	-	-	-	
Councillors	-	-	-	
Finance and Administration	-	-	-	
Finance	-	-	-	
Administration	-	-	-	
Commonage	-	-	-	
Community and Social Services	-	-	-	
Cemeteries	-	-	-	
Libraries	-	-	-	
Sport and Recreation	-	-	-	
Sportgrounds and Community Facilities	-	-	-	
Caravan Park	-	-	-	
Waste Management	-	-	-	
Refuse and Sanitation	-	-	-	
Water	-	-	-	
Water	7 622 726	9 129 000	(1 506 274)	-16.50%
Electricity	-	-	-	
Electricity	-	-	-	
Economic and Social Development	-	-	-	
Local Economic Development	-	-	-	
Technical and Roads	-	-	-	
Streets	-	-	-	
Waste Water Management	-	-	-	
Sewerage	-	-	-	
Total Capital Expenditure	7 622 726	9 129 000	(1 506 274)	-16.50%
<u>Details of material variances</u>				
Refer to note 44 for explanations.				

43 BUDGET INFORMATION

43.1 Explanation of variances between approved and final budget amounts

The reasons for the variances between the approved and final budgets are mainly due to viements, and the negative effect of the abnormal high electricity and solid waste tariff increases on consumer debtors, the decrease in the capital expenditure, and the reprofiting of capital projects, with the corresponding changes to funding sources.

Explanation of variances greater than 5%: Final Budget and Actual Amounts

Statement of Financial Position

43.2.1 Current Assets

Cash

Incorrect budgeting:

Call Investment Deposits

Cash portion of unspent grants.

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Consumer Debtors

Incorrect budgeting.

Other Debtors

Incorrect budgeting.

Inventory

Increase in inventory: consumables.

43.2.2 Non-Current Assets

Investment Property

Incorrect budgeting.

Property, Plant and Equipment

Correction of asset register. Unbundling of meters

Intangible Assets

Correction of asset register.

43.2.3 Current Liabilities

Borrowing

Repayment of finance leases.

Consumer Deposits

Correct allocation of consumer deposits

Trade and Other Payables

Increase due to cash flow problems.

Provisions

Incorrect budgeting.

43.2.4 Non-Current Liabilities

Borrowing

New finance leases.

Provisions

Provision for rehabilitation of landfill-sites and post-retirement benefits not included in budget.

43.2.5 Net Assets

Accumulated Surplus/(Deficit)

Net effect of all movements.

Statement of Financial Performance

43.2.6 Revenue

Property Rates

Increase in property rates due to new valuation roll.

Service Charges - Electricity Revenue

Consumption less than budgeted consumption.

Service Charges - Water Revenue

Consumption less than budgeted consumption.

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Service Charges - Sanitation Revenue

Decrease in consumption.

Service Charges - Refuse Revenue

Consumption less than budgeted consumption.

Service Charges - Other Revenue

Availability charges included under other service charges.

Rental of Facilities and Equipment

Incorrect budgeting.

Interest Earned - External Investments

Increase in interest on call deposits.

Interest Earned - Outstanding Debtors

Increase due to non-payment by consumers.

Fines

Additional fines received from Provincial Traffic.

Licences and Permits

Incorrect budgeting.

Agency Services

Incorrect budgeting.

Transfers Recognised - Operational

Decrease due to unspent grants on year-end.

Other Revenue

Increase in public contributions.

Transfers Recognised - Capital

Decrease due to unspent grants on year-end.

43.2.7 Expenditure

Employee Related Costs

Incorrect budgeting.

Remuneration of Councillors

Decrease in travelling expenses.

Debt Impairment

Increase in provision for debt impairment.

Depreciation and Asset Impairment

Increase due to correction of asset register.

Finance Charges

Interest cost of provision for rehabilitation of landfill-site and post-retirement benefits not included in budget.

Bulk Purchases

Decrease in consumer consumption.

Contracted Services

Contracted services budgeted under Other Expenditure.

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Other Expenditure

Decrease in operating grant expenditure.

Loss on Disposal of PPE

Finance leases repaid during the year.

Cash Flow Statement

43.2.8 Net Cash from Operating Activities

Ratepayers and other

Increase in consumer debt.

Government - Operating

Unspent grants on year-end.

Government - Capital

Unspent grants on year-end.

Interest

Interest on call accounts not included in budget.

Suppliers and Employees

Post-retirement benefits not included in budget.

Finance Charges

Increase in interest paid.

43.2.9 Net Cash from Investing Activities

Proceeds on disposal of PPE

Settlement of finance leases.

Capital Assets

Underspending of capital budget.

43.2.10 Net Cash from Financing Activities

Repayment of Borrowing

Settlement of finance leases.

44. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

2015 2014
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44.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance

Unauthorised expenditure current year - operational

Unauthorised expenditure current year - capital

Approved by Council or condoned

Transfer to receivables for recovery

Unauthorised expenditure awaiting authorisation

89 435 055	70 456 423
17 491 070	18 978 632
-	-
-	-
-	-
106 926 124	89 436 055

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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1 231 701	1 88 798
890 671	468 909

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2 148 378 1 267 707

199 191	199 191
417 306	417 306
172 301	172 301
255 946	255 946
537 535	-
8 417	8 417
204 546	204 546
353 136	-
2 148 378	1 257 707

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KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015 2014
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Irregular expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings
Expenditure contrary to SCM Processes - 2010	None
Expenditure contrary to SCM Processes - 2012	None
Preference point system not used for bids between R30 000 and R200 000	None
Tax Reference numbers not obtained for transactions between R10 000 - R30 000	None

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

3 715 210	3 715 210
2 661 945	2 661 945
818 210	818 210
1 235 759	1 235 759
8 431 124	8 431 124

45. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

45.1 Contributions to organised local government - [MFMA 125 (1)(b)] - (SALGA CONTRIBUTIONS)

Opening balance
Council subscriptions
Amount paid - current year
Amount paid - previous years

Balance unpaid (included in creditors)

1 428 648	978 648
522 000	450 000
-	-
1 950 648	1 428 648

45.2 Audit fees - [MFMA 125 (1)(c)]

Opening balance
Current year audit fee
External Audit - Auditor-General
Internal Audit
Interest

Amount paid - current year
Amount paid - previous year

Balance unpaid (included in creditors)

2 804 125	1 700 290
2 333 998	1 103 835
1 980 669	786 942
353 329	125 000
-	191 893

5 138 124	2 804 125
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45.3 VAT - [MFMA 125 (1)(c)]

VAT is payable on the payment basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year. The net of VAT Input Payables and VAT Output Receivables are shown in Note 9.

45.4 PAYE and UIF - [MFMA 125 (1)(c)]

Opening balance
Current year payroll deductions
Amount paid - current year

Balance unpaid (included in creditors)

1 510 441	391 616
1 907 160	1 714 983
(720 502)	(596 158)
2 697 098	1 510 441

45.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]

Opening balance
Current year payroll deductions and Council Contributions
Amount paid - current year
Amount paid - previous year

Balance unpaid (included in creditors)

1 229 266	349 624
3 279 938	2 827 685
(2 635 091)	(1 598 420)
(1 150 805)	(349 623)
723 510	1 229 266

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

45.6 Councilor's arrear consumer accounts - [MFMA 124 (1)(b)]

The following Councilors had arrear accounts for more than 90 days as at 30 June 2015:

	Outstanding more than 90 days
E Stewens	1 847
MJ Cloete	1 413
M/R Klaase	502

45.7

Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(e) and (b)

	Amount	Type of Deviation			Emergency
		Single Supplier	Impossible	Impractical	
July	300 735	76 342	32 448	-	191 945
August	182 197	86 738	76 298	-	19 161
September	182 255	52 450	73 079	-	56 727
October	107 933	53 914	30 284	-	23 735
November	79 503	50 014	16 095	-	13 395
December	127 678	45 000	7 326	-	75 353
January	172 196	131 413	-	-	40 783
February	149 936	100 847	49 089	-	-
March	120 262	60 000	58 047	-	2 215
April	137 462	60 000	77 482	-	-
May	94 389	69 400	6 720	-	18 269
June	157 880	97 528	56 009	-	4 343
	<u>1 812 426</u>	<u>883 645</u>	<u>482 857</u>	<u>-</u>	<u>445 925</u>

45.8 The following suppliers did not indicated that a member is in service of the state as required by section 13 (c)(i) of the Supply Chain Management Regulations:

Service provider	Name of member	State Department	Contract Value
African Oxygen Ltd	KDK Mokhele	Nat. Science and Technology	1 845
Business Connexion	NN Kekana	Gauteng Film Commission	129 039

45.9

Material losses

Electricity distribution losses

Units purchased (Kwh)	5 850 908	6 364 907
Units lost during distribution (Kwh)	1 264 732	1 825 667
Percentage lost during distribution	21.62%	28.68%
Distribution loss (Rand Value)	1 455 726	1 918 155

Water distribution losses

Units purchased (m)	296 931	379 971
Units lost during distribution (m)	46 660	159 321
Percentage lost during distribution	15.71%	41.93%
Distribution loss (Rand Value)	474 934	1 266 602

46.

CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:

Infrastructure	2 008 530	4 502 000
Total	<u>2 008 530</u>	<u>4 502 000</u>
This expenditure will be financed from:		
Government Grants	2 008 530	4 502 000
Total	<u>2 008 530</u>	<u>4 502 000</u>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

47.

FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price Risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

	2015 R	2014 R
The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow:		

1% (2014: 1%) Increase in interest rates	10 595	3 079
1% (2014: 1%) Decrease in interest rates	(10 595)	(3 079)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

All rates and services are payable within 30 days from invoice date. Refer to note 15 and 16 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

	2015 %	2015 R	2014 %	2014 R
<u>Non-exchange Receivables</u>	100.00%	11 727 860	100.00%	7 864 228
<u>Rates</u>				
<u>Exchange Receivables</u>				
Electricity	17.02%	5 718 432	13.83%	3 759 656
Water	29.21%	9 817 173	28.63%	7 784 575
Housing Rentals	0.00%	-	0.00%	-
Refuse	12.39%	4 163 955	12.79%	3 477 601

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Sewerage	6.61%	2 220 661	6.68%	1 817 822
Other	34.77%	11 684 787	38.08%	10 354 712
	100.00%	33 605 008	100.00%	27 194 366

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note 15 and 16 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of receivables as follow:

	2015 %	2015 R	2014 %	2014 R
<u>Longterm Receivables</u>				
Rates and Services	0.00%	-	0.00%	-
<u>Non-exchange Receivables</u>				
Rates	24.76%	9 452 920	9.33%	2 715 111
<u>Exchange Receivables</u>				
Services	75.24%	28 729 248	90.67%	26 396 164
	100.00%	38 182 168	100.00%	29 111 274

Ageing of amounts past due but not impaired are as follow:

	2015	2014
2015		
1 month past due	1 148 172	205 053
2+ months past due	1 542 024	1 508 519
	2 690 195	1 713 572
2014		
1 month past due	-	430 870
2+ months past due	15 154	4 576 796
	15 154	5 007 665

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (First National Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
Financial assets exposed to credit risk at year end are as follows:		
Receivables from exchange transactions	33 605 008	27 194 366
Receivables from non-exchange transactions	11 848 998	7 896 127
Cash and Cash Equivalents	1 546 493	761 536
	<u>47 000 499</u>	<u>35 852 030</u>

(e) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	2015	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
Long-term Liabilities		204 360	407 995	-	-
Trade and Other Payables		<u>33 188 889</u>			
		<u>33 393 249</u>	<u>407 995</u>	<u>-</u>	<u>-</u>
2014		Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
Long-term Liabilities		225 555	344 985	-	-
Trade and Other Payables		<u>29 378 155</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>29 603 710</u>	<u>344 985</u>	<u>-</u>	<u>-</u>
			2015 R	2014 R	

48. FINANCIAL INSTRUMENTS

In accordance with GRAP104.45 the financial liabilities and assets of the municipality are classified as follows:

Receivables from Exchange Transactions	
Electricity	Financial Instruments at amortised cost
Water	Financial Instruments at amortised cost
Refuse	Financial Instruments at amortised cost
Sewerage	Financial Instruments at amortised cost
Other Arrears	Financial Instruments at amortised cost
Cash and Cash Equivalents	
Call Deposits	Financial Instruments at amortised cost
Total Financial Assets	
	728 573
	<u>35 151 501</u>
	573 834
	<u>27 955 903</u>

KAMESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015	2014
R	R

SUMMARY OF FINANCIAL ASSETS

Financial Instruments at amortised cost:

Receivables from Exchange Transactions	5 718 432	3 759 656
Receivables from Exchange Transactions	9 817 173	7 784 575
Receivables from Exchange Transactions	4 163 955	3 477 601
Receivables from Exchange Transactions	2 220 661	1 817 822
Receivables from Exchange Transactions	11 684 787	10 354 712
Cash and Cash Equivalents	817 920	187 702
Cash and Cash Equivalents	728 573	573 834
	35 151 501	27 955 903
	35 151 501	27 955 903

Total Financial Assets

48.1

Financial Liabilities

Classification

Trade and Other Payables		
Trade Creditors		
Retentions		
Sundry Deposits		
	26 852 480	23 631 867
	396 792	68 165
	5 131 615	5 384 218
	33 675 867	29 084 250

SUMMARY OF FINANCIAL LIABILITIES

Financial instruments at amortised cost:

Trade and Other Payables		
Trade and Other Payables		
Trade and Other Payables		
Trade and Other Payables		
	26 852 480	23 631 867
	396 792	68 165
	5 131 615	5 384 218
	32 380 886	29 084 250

49. STATUTORY RECEIVABLES

In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:

Taxes		
Vat Receivable		
	-	-
Receivable from Non-Exchange Transactions		
Rates	33 605 008	27 194 366
Fines	-	-
	33 605 008	27 194 366

50. EVENTS AFTER THE REPORTING DATE

The Municipality is not aware of any events after the reporting date.

51. IN-KIND DONATIONS AND ASSISTANCE

The municipality received the following in-kind donations and assistance:

(i) Secondment of a Finance Advisor by National Treasury for two years.

52. PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

53. CONTINGENT LIABILITY

Claims against Council

1 300 000	780 000
-----------	---------

The municipality is being sued by the widow of Mr. L.J. Swart for damages and loss of support. The municipality allegedly failed to switch off the electricity supply to the supply system on which Mr Swart was working as an independent contractor on behalf of the municipality, which caused Mr Swart to receive a fatal electrical shock. The municipality is defending the claim based on legal advice. A trial date has not been set to date. The claimed amount does not include legal costs. The outcome of the case is still uncertain.

The municipality does not have a permit or license for landfill-sites currently in use in Garies and Hondoklip Bay, and could be liable for a penalty, to a maximum amount of R10 000 000, in terms of section 68(1) National Environmental Management Waste Act, 2008 (Act No. 59 of 2008).

54. RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

54.1 Related Party Transactions

Year ended 30 June 2015

	Rates	Service Charges	Other	Outstanding Balance
Councillors				
MR Klaase	1 805	8 047	1 557	3 663
EA Stewens		2 044	430	2 479
MJ Cloete	6 561	15 479	430	5 548
MS Cardinal	1 326	1 838	430	840
SC Nero		1 504	430	551
	9 692	28 912	3 277	13 081
Municipal Manager and Section 57 Employees				
JG Cloete				
F Links	1 004	9 238	430	803
		4 405	430	776
	1 004	13 643	860	1 579
Rates		Service Charges	Other	Outstanding Balance
	2 259	19 196		1 256
	34	1 496		232
	-	8 450		4 503
	144	1 547		213
	2 437	30 689	-	6 204
Municipal Manager and Section 57 Employees				
FA Links	292	3 738	-	734
DC Beukes	-	2 457	-	451
JG Cloete	-	9 407	-	1 735
	292	15 602	-	2 920

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

54.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

54.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 28 to the Annual Financial Statements.

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

55. FINANCIAL SUSTAINABILITY

The extremely high cost associated with the Delivery of Basic Services and Infrastructure needs to communities due to the vast distances between several settlements coupled with the social-economic profile (high unemployment rate) of Kamiesberg communities resulted in a serious risk for Kamiesberg Municipality's going concern.

Unless sustainable job creation is achieved, Kamiesberg Municipality will not be able to function as a going concern without Government Grants and Subsidies.

In spite of aforementioned, management has prepared the Annual Financial Statements on the Going Concern Basis.

APPENDIX A
KAMIESBERG MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2015

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 June 2014	Correction of Error	Received during the period	Redeemed written off during the period	Balance at 30 June 2015
LEASE LIABILITY								
Nashua	14.00%	Various		451 630	-	273 960	(238 611)	486 979
Nashua Mobile	10.00%	Various		2 053	-	-	(2 053)	(0)
Total Lease Liabilities				453 683	-	273 960	(240 664)	486 979
TOTAL EXTERNAL LOANS				453 683	-	273 960	(240 664)	486 979

APPENDIX B
KAMIESBERG MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R		2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R
(1 821 260)	(3 073 687)	(4 894 947)	Executive & Council	(1 896 112)	(3 585 467)	(5 481 579)
21 043 494	(12 458 985)	8 584 509	Budget & Treasury Office	32 320 166	(9 826 411)	22 493 755
693 426	(8 437 514)	(7 744 088)	Corporate Services	793 807	(14 228 563)	(13 434 755)
284 374	(846 843)	(562 469)	Planning & Development	272 934	(896 878)	(623 944)
-	-	-	Health	-	-	-
591 005	-	591 005	Community & Social Services	553 769	(186 241)	367 528
-	-	-	Housing	-	-	-
-	-	-	Public Safety	-	-	-
610 431	(88 964)	521 467	Sport and Recreation	13 203	(79 520)	(66 317)
-	-	-	Environmental Protection	-	-	-
1 776 635	(4 275 946)	(2 499 311)	Waste Management	1 943 204	(4 909 082)	(2 965 877)
1 326 977	-	1 326 977	Waste Water Management	1 407 576	-	1 407 576
768 206	(4 627 521)	(3 859 316)	Road Transport	884 210	(2 533 517)	(1 649 307)
3 698 714	(7 931 621)	(4 232 907)	Water	4 342 613	(3 069 344)	1 273 269
4 658 741	(11 819 014)	(7 160 274)	Electricity	5 204 607	(12 201 975)	(6 997 368)
33 630 742	(53 560 096)	(19 929 354)	Sub Total	45 839 977	(51 516 997)	(5 677 020)
-	-	-	Less Inter-Departmental Charges	-	-	-
33 630 742	(53 560 096)	(19 929 354)	Total	45 839 977	(51 516 997)	(5 677 020)

APPENDIX C
KAMIESBERG MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015
MUNICIPAL VOTES CLASSIFICATIONS

2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R		2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R
(1 821 260)	(804 302)	(2 625 562)	EXECUTIVE & COUNCIL	(1 896 112)	(894 326)	(2 790 438)
-	(2 269 385)	(2 269 385)	Municipal Manager	-	(2 691 141)	(2 691 141)
21 043 494	(12 458 985)	8 584 509	FINANCE & ADMINISTRATION	32 320 166	(9 826 411)	22 493 755
856 664	(8 437 514)	(7 580 850)	Finance	1 011 826	(14 228 563)	(13 216 736)
584 760	-	584 760	Administration	542 755	(186 241)	356 514
5 311	-	5 311	COMMUNITY & SOCIAL SERVICES	10 259	-	10 259
934	-	934	Cemeteries	754	-	754
596 169	(98 964)	507 205	SPORT AND RECREATION	-	-	-
14 263	-	14 263	Sportgrounds and Community Facilities	13 203	(79 520)	(79 520)
1 776 635	(4 275 946)	(2 499 311)	WASTE MANAGEMENT	-	-	13 203
3 698 714	(7 931 621)	(4 232 907)	Refuse and Sanitation	1 943 204	(4 909 082)	(2 965 877)
4 658 741	(11 819 014)	(7 160 274)	WATER	4 342 613	(3 069 344)	1 273 269
-	-	-	Water	5 204 607	(12 201 975)	(6 997 368)
121 136	(846 843)	(725 707)	ELECTRICITY	54 915	(896 878)	(841 963)
768 206	(4 627 521)	(3 859 316)	Electricity	884 210	(2 533 517)	(1 649 307)
1 326 977	-	1 326 977	ECONOMIC AND SOCIAL DEVELOPMENT	1 407 576	-	1 407 576
33 630 742	(53 560 096)	(19 929 354)	Local Economic Development	45 839 977	(51 516 997)	(5 677 020)
-	-	-	TECHNICAL AND ROADS	-	-	-
-	-	-	Streets	-	-	-
-	-	-	WASTE WATER MANAGEMENT	-	-	-
-	-	-	Sewerage	-	-	-
-	-	-	Sub Total	-	-	-
-	-	-	Less Inter-Departmental Charges	-	-	-
33 630 742	(53 560 096)	(19 929 354)	Total	45 839 977	(51 516 997)	(5 677 020)

APPENDIX D
KAMIESBERG MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 30 June 2014	Correction of Error	Restated Balance 30 June 2014	Contributions during the year	Interest on Investments	Repaid to National Revenue Fund	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2015	Unspent 30 June 2015 (Creditor)	Unpaid 30 June 2015 (Debtor)
National Government Grants											
Equitable Share	-	-	-	13 411 000	-	-	(13 411 000)	-	-	-	-
Finance Management Grant	-	-	-	1 800 000	-	-	(1 832 967)	-	(32 967)	-	(32 967)
Municipal System Improvement Grant	476 027	-	476 027	934 000	-	-	(867 471)	-	542 555	542 555	-
Municipal Infrastructure Grant	4 998 120	-	4 998 120	9 129 000	-	-	-	(7 903 737)	6 223 384	6 223 384	-
Integrated National Electrification Grant	164 805	-	164 805	-	-	-	-	-	164 805	164 805	-
Total National Government Grants	5 638 952	-	5 638 952	25 274 000	-	-	(16 111 438)	(7 903 737)	6 897 777	6 930 744	(32 967)
Provincial Government Grants											
Expanded Public Works Programme	928 620	-	928 620	1 000 000	-	-	(144 855)	(731 244)	1 052 520	1 052 520	-
Department Water Affairs and Environment	141 362	-	141 362	-	-	-	-	-	141 362	141 362	-
Housing	-	-	-	-	-	-	-	-	-	-	-
Library	218 219	-	218 219	653 000	-	-	(248 412)	-	622 808	622 808	-
Project Nala	620 180	-	620 180	-	-	-	-	-	620 180	620 180	-
Department Finance, Economic Development & Tourism	50 000	-	50 000	150 000	-	-	-	-	200 000	200 000	-
Tourism	78 451	-	78 451	15 865	-	-	(47 176)	-	47 140	47 140	-
Department Social Services	482	-	482	-	-	-	-	-	482	482	-
Department Sport, Arts and Culture	6 262	-	6 262	-	-	-	-	-	6 262	6 262	-
Drought Relief	24 409	-	24 409	-	-	-	-	-	24 409	24 409	-
Total Provincial Government Grants	2 067 985	-	2 067 985	1 818 885	-	-	(440 443)	(731 244)	2 715 163	2 715 163	-
District Municipality											
Namakwa DM	435 138	-	435 138	115 386	-	-	(226 399)	-	324 125	324 125	-
<i>list</i>	-	-	-	-	-	-	-	-	-	-	-
Total District Municipality Grants	435 138	-	435 138	115 386	-	-	(226 399)	-	324 125	324 125	-
Total Grants	8 142 075	-	8 142 075	27 208 251	-	-	(16 778 280)	(8 634 981)	9 937 065	9 970 032	(32 967)

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received. No grants were withheld.